NESTCON

www.nestcon.my

NESTCON BERHAD
(202001008684 (1365004-W))
(Incorporated in Malaysia)

2-10, Jalan Kenari 13B
Bandar Puchong Jaya
47170 Puchong, Selangor

TEL : 03-8090 7988

The properties above do not belong to Nestcon Berhad. Consents have been obtained from their owners to feature the images of the respective properties in this Prospectus.

NESTCON BERHAD
(202001008684 (1365004-W))
(Incorporated in Malaysia)

NESTCON

PROSPECTUS

P R O S P E C T U S

NESTCON

NESTCON BERHAD
(202001008684 (1365004-W))
(Incorporated in Malaysia)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") COMPRISING:

(I) PUBLIC ISSUE OF 160,955,400 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- **32,192,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **32,192,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;**
- **80,475,400 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY; AND**
- **16,096,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS**

AND

(II) OFFER FOR SALE OF 32,192,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.28 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

This Prospectus has been registered by the Securities Commission Malaysia ("SC"). The registration of this Prospectus, should not be taken to indicate that the SC recommends 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 the company and takes no responsibility for the contents of this document, 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. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

YOU 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 135.

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

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

Adviser, Sponsor, Underwriter and Placement Agent

M&A

M & A SECURITIES SDN BHD
(Registration No. 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Financial Adviser

ECOASIA

ECO ASIA CAPITAL ADVISORY SDN BHD
(201801022562 (1284581-H))

THIS PROSPECTUS IS DATED
8 JUNE 2021

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

M&A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), 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.

This Prospectus, together with the Application Form (as defined herein), will be lodged with the Registrar of Companies, who takes no responsibility for its contents. In view of the temporary closure of operation by the Registrar of Companies during the Total Lockdown on 1 June 2021, the Prospectus will be lodged within 30 days from the end of the lockdown based on the initiative announced by the Registrar of Companies on 1 June 2021.

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("**CMSA**") for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

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

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 17 February 2021. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus. The valuation utilised for the purpose of the Listing should not be construed as an endorsement by Bursa Securities, on the value of the subject assets.

The Securities Commission Malaysia ("**SC**") has on 21 May 2021 approved the resultant equity structure of our Company under the equity requirements for public listed companies pursuant to our Listing (as defined herein).

Our securities are classified as Shariah compliant by the Shariah Advisory Council of the SC based on the audited combined financial statements for the financial year ended 31 December 2019. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review is undertaken by the Shariah Advisory Council of the SC. The new status will be released in the updated list of Shariah compliant securities, on the last Friday of May and November.

This Prospectus has not been and will not be made to 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 or other relevant body of any jurisdiction other than Malaysia.

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 accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for our IPO Shares would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form 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.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser 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 be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the 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 (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Adviser or Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the electronic and the contents of 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 the Prospectus registered with the SC shall prevail.

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

(i) We and our Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;

(ii) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and

(iii) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files 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 an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

(ii) While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, 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 an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults 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

All terms used are defined under "Definitions" commencing from page vii.

The indicative timing of events leading to our Listing is set out below:

Events	**Indicative date**
Issuance of this Prospectus/Opening of Application	8 June 2021
Closing Date/Closing of Application	17 June 2021
Balloting of Application	21 June 2021
Allotment/Transfer of IPO Shares to successful applicants	28 June 2021
Date of Listing	29 June 2021

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used in this section are defined under "Definitions" commencing from page vii.

All references to "Nestcon" and "Company" in this Prospectus are to Nestcon Berhad (202001008684 (1365004-W)). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and 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 thousand or million or one decimal place (for percentages) or one sen (for currency). Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the "Definitions" and "Technical Glossary" appearing after this section. Words denoting singular shall include plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our management and various third-parties and cites third-party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from the internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, such information can be assumed to originate from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

The information on our website, or any website directly or indirectly linked to such websites do not form part of this Prospectus.

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FORWARD-LOOKING STATEMENTS

All terms used are defined under "Definitions" commencing from page vii.

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, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies 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 Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "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 limitations, statements relating to:

(i) Demand for our services;

(ii) Our business strategies;

(iii) Our future plans;

(iv) Our future earnings, cash flows and liquidity; and

(v) Our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

(i) The ongoing Covid-19 pandemic and possible similar future outbreak;

(ii) The economic, political and investment environment in Malaysia; and

(iii) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 – "Risk Factors" and Section 12 – "Financial Information". 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 date of this Prospectus.

DEFINITIONS

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

COMPANIES WITHIN OUR GROUP:

"Nestcon Builders"	:	Nestcon Builders Sdn Bhd (201301033505 (1063335-M))
"Nestcon Infra"	:	Nestcon Infra Sdn Bhd (200101021201 (556959-W))
"Nestcon" or "Company"	:	Nestcon Berhad (202001008684 (1365004-W))
"Nestcon Group" or "Group"	:	Nestcon and its subsidiaries, collectively

GENERAL:

"ACE Market"	:	ACE Market of Bursa Securities
"Acquisitions"	:	Acquisition of Nestcon Builders and Acquisition of Nestcon Infra, collectively
"Acquisition of Nestcon Builders"	:	Acquisition by Nestcon of the entire equity interest of Nestcon Builders for a purchase consideration of RM33,264,500.04 which was wholly satisfied by the issuance of 277,204,167 new Shares at an issue price of RM0.12 per share, which was completed on 18 March 2021
"Acquisition of Nestcon Infra"	:	Acquisition by Nestcon of the entire equity interest of Nestcon Infra for a purchase consideration of RM24,679,399.92 which was wholly satisfied by the issuance of 205,661,666 new Shares at an issue price of RM0.12 per share, which was completed on 18 March 2021
"Act"	:	Companies Act, 2016
"ADA"	:	Authorised Depository Agent
"Adviser" or "Sponsor" or "Placement Agent" or "Underwriter"	:	M&A Securities
"Application"	:	Application for IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
"Application Form"	:	Printed application form for the application of our IPO Shares accompanying this Prospectus
"ATM"	:	Automated teller machine
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of Nestcon
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (198701006854 (165570-W))

"Bursa Securities"	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
"CAGR"	:	Compound annual growth rate
"CDS"	:	Central Depository System
"CDS Account"	:	Account established by Bursa Depository for a depositor for the recording and dealing in securities by the depositor
"Central Depositories Act"	:	Securities Industry (Central Depositories) Act, 1991
"CIDB"	:	Construction Industry Development Board of Malaysia
"Client A"	:	A private limited company incorporated and based in Malaysia and which is involved in civil engineering works, construction, property development & real estate investment, investment holding & related services Client A is a wholly-owned subsidiary of a public company listed on the Main Market of Bursa Securities. The holding company of Client A is an integrated infrastructure developer domiciled in Malaysia, with extensive international operations in the UK and Singapore, as well as businesses and projects under development in other countries including Indonesia, Australia, Japan, Jordan and China. The holding company of Client A and its subsidiaries are involved in utilities, cement manufacturing and trading, construction, property investment and development, hotel operations, management services and others, and IT and e-commerce related business We are unable to disclose the identity of Client A by virtue of a confidentiality agreement executed with Client A in relation to the Railway Project
"Closing Date"	:	Date adopted in this Prospectus as the last date for acceptance and receipt of the Application
"CMSA"	:	Capital Markets and Services Act, 2007
"Constitution"	:	Our constitution
"Covid-19"	:	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and it is a global pandemic
"Datuk Ir. Dr. Lim"	:	Datuk Ir. Dr. Lim Jee Gin, our Promoter and Group Managing Director
"Depository Rules"	:	Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
"Director(s)"	:	An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
"EBIT"	:	Earnings before interest and tax

DEFINITIONS *(Cont'd)*

"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
"Electronic Share Application"	:	Application for IPO Shares through a Participating Financial Institution's ATM
"EPS"	:	Earnings per share
"EXSIM Group"		EXSIM Development Sdn Bhd and its group of companies
"FYE"	:	Financial year(s) ended/ending 31 December, as the case may be
"GP"	:	Gross profit
"IFRS"	:	International Financial Reporting Standards
"IMR"	:	Protégé Associates Sdn Bhd (200401037256 (675767-H)), our Independent Market Researcher
"IMR Report"	:	Independent Market Research Report titled "Strategic Analysis of the Construction Industry in Malaysia" dated 8 May 2021
"Internet Participating Financial Institution(s)"	:	Participating financial institution(s) for Internet Share Application as listed in Section 16.6
"Internet Share Application"	:	Application for IPO Shares through an online share application service provided by Internet Participating Financial Institution
"Initial Public Offering" or "IPO"	:	Our initial public offering comprising the Public Issue and Offer for Sale
"IPO Price"	:	Issue/offer price of RM0.28 per Share under our Public Issue and Offer for Sale
"IPO Share(s)"	:	Issue Share(s) and Offer Share(s), collectively
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
"Issue Share(s)"	:	New Share(s) to be issued under the Public Issue
"ISO"	:	International Organisation for Standardisation
"IT"	:	Information technology
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM103.01 million comprising 643,822,000 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
"Listing Scheme"	:	Comprising the Public Issue, Offer for Sale and Listing, collectively

DEFINITIONS *(Cont'd)*

"LPD"	:	8 May 2021, being the latest practicable date for ascertaining certain information contained in this Prospectus
"M&A Securities"	:	M & A Securities Sdn Bhd (197301001503 (15017-H))
"Malaysian Public"	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
"Market Day"	:	Any day between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"MCO"	:	The 2020 Malaysia movement control order, commonly referred to as the MCO, implemented as a preventive measure by the Government of Malaysia in response to the Covid-19 pandemic in the country, which began from 18 March 2020 and unless otherwise specified, includes all its subsequent phases
"MFRS"	:	Malaysian Financial Reporting Standards
"MITI"	:	Ministry of International Trade and Industry Malaysia
"NA"	:	Net assets
"NBV"	:	Net book value
"Nestcon Hailong"	:	Nestcon Hailong Sdn Bhd (201701041771 (1255944-K)) (struck off in December 2020)
"Offer for Sale"	:	Offer for sale of 32,192,000 Offer Shares by our Selling Shareholders at our IPO Price
"Offer Share(s)"	:	Existing Share(s) to be offered under our Offer for Sale
"Participating Financial Institution(s)"	:	Participating financial institution(s) for Electronic Share Application as listed in Section 16.5
"PAT"	:	Profit after tax
"PBT"	:	Profit before tax
"PE Multiple"	:	Price-to-earnings multiple
"Pink Form Allocations"	:	Allocation of 32,192,000 Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group, which forms part of our Public Issue
"Promoter(s)"	:	Datuk Ir. Dr. Lim and Ong Yong Chuan, collectively
"Prospectus"	:	This prospectus dated 8 June 2021 in relation to our IPO
"Public Issue"	:	Public issue of 160,955,400 Issue Shares at our IPO Price
"ROC"	:	Registrar of Companies

"SC"	:	Securities Commission Malaysia
"Selling Shareholder(s)"	:	Datuk Ir. Dr. Lim and Ong Yong Chuan who are undertaking the Offer for Sale, collectively
"Share(s)"	:	Ordinary share(s) in Nestcon
"sq ft"	:	Square foot
"Supplier A"	:	A private limited company incorporated and based in Malaysia and which is involved in the quarry business & related services. Supplier A is a 50.01% subsidiary of a public company listed on the Main Market of Bursa Securities. Both Supplier A and Client A have the same holding company. Please refer to the definition of Client A for further description of the holding company We are unable to disclose the identity of Supplier A by virtue of a confidentiality agreement executed with Client A in relation to the Railway Project
"Supplier B"	:	A private limited company incorporated and based in Malaysia and which is involved in the manufacture & sale of ready-mix concrete & hiring of vehicles Supplier B is a 93.39% subsidiary of a public company listed on the Main Market of Bursa Securities. Both Supplier B and Client A have the same holding company. Please refer to the definition of Client A for further description of the holding company We are unable to disclose the identity of Supplier B by virtue of a confidentiality agreement executed with Client A in relation to the Railway Project
"Underwriting Agreement"	:	Underwriting agreement dated 3 May 2021 entered into between Nestcon and M&A Securities for the purpose of our IPO
"UK"	:	United Kingdom
"USA"	:	United States of America

CURRENCY:

"RM" or "sen"	:	Ringgit Malaysia and sen respectively

TECHNICAL GLOSSARY

This glossary contains an explanation of certain terms used throughout this Prospectus in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms:

"CCC"	:	Certificate of completion and compliance, a document issued by the submitting person who is either a professional architect or professional engineer to certify that the building is completed in accordance with the approved building plans and is safe and fit for occupation
"CMGD"	:	Certificate of making good defects, issued by the project's architect on behalf of the client to the contractor, after identified defects have been rectified upon expiry of the DLP
"CPC"	:	Certificate of practical completion, issued by the project's architect on behalf of the client to the contractor, when the contractor has completed its assigned obligations and handed the work to the client
"DLP"	:	Defect liability period, a period of time after a project has been completed where the developer is obliged to return to the site to remedy defects, if any
"IBS"	:	Industrialised building system, a construction method that utilises structural components, or a building system that involves pre-fabricated components and on-site installation
"LAD"	:	Liquidated and ascertained damages, which are damages due to a client, calculated at a rate as stated in the contract when a contractor fails to deliver the completed work within the period stipulated in the said contract agreement
"Letter of Award"	:	A formal award of a project by a client to the contractor
"M&E"	:	Mechanical and engineering
"Master Work Programme"	:	Master work programme details the work activities at work site, sequence of work and identified key milestones of a project according to project requirements and specifications
"QESH"	:	Quality, environment, safety and health
"QLASSIC"	:	Quality Assessment System in Construction, a system or method to measure and evaluate the workmanship quality of a building construction work based on Construction Industry Standard (CIS7:2006). QLASSIC enables the quality of workmanship between construction projects to be objectively compared through a scoring system
"SOHO"	:	Small office home office

PROJECTS

This following is a brief description of the projects undertaken by our Group:

"Grand Project"	:	Construction of one block of 21-storey commercial building (315 units) of SOHO and one block of 14-storey commercial building (168 units) of SOHO, with other relevant facilities in Mukim Damansara, Selangor known as *The Grand*, which is currently ongoing
"Embayu Project"	:	Construction of 2 blocks of 15-storey apartments (455 units) and 1 block of 10-storey apartments (195 units) with relevant facilities in Shah Alam, Selangor known as *Embayu Damansara West*, which is currently ongoing
"Kuchai Sentral Project"	:	Construction of one block of 39 storey serviced apartments (408 units) and one block of 43-storey serviced apartments (526 units) with other relevant facilities in Mukim Petaling, Kuala Lumpur known as *Kuchai Sentral*, which is currently ongoing
"Melaka Gateway Project"	:	Land reclamation works at a mixed development tourism and commercial hub at the Straits of Melaka known as *Melaka Gateway*, which has been completed
"Mossaz and Paxtonz Project"	:	Construction of one block of 5-storey office building and one block of 40-storey office building (1,117 units) known as *Mossaz* and one block of 23-storey office building (844 units) known as *Paxtonz* with other relevant facilities in Mukim Sungai Buloh, Selangor, which is currently ongoing
"Nest Residence Project"	:	Construction of one block of 36-storey serviced apartments (618 units) with other relevant facilities in Mukim Petaling, Kuala Lumpur known as *Nest Residence*, which has been completed
"Nest2 Project"	:	Construction of one block of apartment suite (346 units), hotel (72 units) and 37-storey office building with other relevant facilities, which is currently ongoing
"Nidoz Project"	:	Earthworks, piling, retaining wall and construction of two blocks of 41-storey apartments (651 units) with other relevant facilities in Mukim Petaling, Kuala Lumpur known as *Nidoz Residences*, which has been completed
"Nouvelle Industrial Park Project"	:	Piling and construction of 47 units of terraced factory units with other relevant facilities in Mukim Kapar, Selangor known as *Nouvelle Industrial Park @ Meru*, which has been completed
"Peaks Project"	:	Construction of 3 units of bungalow in Mukim Cheras, Selangor, which has been completed

PROJECTS *(Cont'd)*

"Petalz Project"	:	Earthworks, piling, retaining wall and basement structural works and construction of 2 blocks of 29-storey serviced apartment building (565 units), 2-storey basement car parking, 7-storey carparking podium with other relevant facilities in Mukim Petaling, Jalan Kelang Lama, Kuala Lumpur known as *Petalz Residences*, which has been completed
"Railway Project"	:	Earthworks and related works for 3 identified sections of a railway project in Johor, which is currently ongoing
"Scarletz Project"	:	Construction of one 50-storey commercial office building (604 units) and one 38-storey commercial office building (604 units) with other relevant facilities in Kuala Lumpur known as *Scarletz Suites*, which is currently ongoing
"Panorama Project"	:	Construction of one block of 30-storey service apartments (237 units) and one block of 30-storey serviced apartments (236 units) with other relevant facilities in Mukim Petaling, Selangor known as *Panorama Residences*, which is currently ongoing

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Residential address	Nationality/ Profession	Gender
Mohd Noor bin Setapa	Independent Non-Executive Chairman	R3H Kampung Warisan Jalan Jelatek 53100 Kuala Lumpur	Malaysian/ Director	Male
Datuk Ir. Dr. Lim	Group Managing Director	6, Jalan Sungai Merbau 32/76A Kelab Golf Dan Resort Bukit Kemuning 40460 Shah Alam Selangor	Malaysian/ Director	Male
Ong Yong Chuan	Executive Director	16, Jalan LP 8/4 Taman Lestari Perdana 43300 Seri Kembangan Selangor	Malaysian/ Director	Male
Lim Joo Seng	Finance Director	8, Jalan BK 6B/11 Bandar Kinrara 47180 Puchong Selangor	Malaysian/ Director	Female
Nor Azzam bin Abdul Jalil	Independent Non-Executive Director	9, Jalan LE 2/4 Lake Edge Bandar Metro Puchong 47100 Puchong Selangor	Malaysian/ Director	Male
Yeoh Sheong Lee	Independent Non-Executive Director	17, Jalan 20/8 46300 Petaling Jaya Selangor	Malaysian/ Accountant	Male

AUDIT COMMITTEE

Name	Designation	Directorship
Yeoh Sheong Lee	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Nor Azzam bin Abdul Jalil	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Nor Azzam bin Abdul Jalil	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Yeoh Sheong Lee	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY *(Cont'd)*

NOMINATING COMMITTEE

Name	Designation	Directorship
Nor Azzam bin Abdul Jalil	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Yeoh Sheong Lee	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Yeoh Sheong Lee	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Nor Azzam bin Abdul Jalil	Member	Independent Non-Executive Director
Datuk Ir. Dr. Lim	Member	Group Managing Director

COMPANY SECRETARIES : Teo Soon Mei (SSM PC No. 201908000235) (MAICSA 7018590)
(Chartered Secretary and Chartered Governance Professional, Fellow of the Malaysian Institute of Chartered Secretaries and Administrators and Master of Corporate Governance)

Ng Shu Fern (SSM PC No. 201908001840) (MAICSA 7062881)
(Chartered Secretary and Chartered Governance Professional, Associate of the Malaysian Institute of Chartered Secretaries and Administrators)

7-1, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur

Telephone: +603-7982 2010

REGISTERED OFFICE : 7-1, Jalan 109F
Plaza Danau 2
Taman Danau Desa
58100 Kuala Lumpur

Telephone: +603-7982 2010

HEAD OFFICE : 2-10, Jalan Kenari 13B
Bandar Puchong Jaya
47170 Puchong
Selangor

Telephone: +603-8090 7988

EMAIL ADDRESS AND WEBSITE : Website: www.nestcon.my
Email address: ir@nestcon.my

1. CORPORATE DIRECTORY *(Cont'd)*

AUDITORS AND REPORTING ACCOUNTANTS FOR OUR LISTING	:	Ecovis Malaysia PLT (201404001750 (LLP0003185-LCA)) & (AF 001825) 9-3, Jalan 109F Plaza Danau 2 Taman Danau Desa 58100 Kuala Lumpur Telephone: +603-7981 1799 Partner's name: Chua Kah Chun *(Chartered Accountant, Fellow of the Association of Chartered Certified Accountants and Member of the Malaysian Institute of Accountants)* Approved number: 2696/09/2021(J)
SOLICITORS FOR OUR LISTING	:	Teh & Lee A-3-3 & A-3-4 Northpoint Offices Mid Valley City 1, Medan Syed Putra Utara 59200 Kuala Lumpur Telephone: +603-2283 2800
ISSUING HOUSE AND SHARE REGISTRAR	:	Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H)) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South No. 8, Jalan Kerinchi 59200 Kuala Lumpur Telephone: 03-2783 9299
INDEPENDENT MARKET RESEARCHER	:	Protégé Associates Sdn Bhd (200401037256 (675767-H)) Suite C-09-12, Plaza Mont' Kiara 2, Jalan Kiara Mont' Kiara 50480 Kuala Lumpur Telephone: +603-6201 9301 Managing Director's name: Seow Cheow Seng *(Master in Business Administration from Charles Sturt University, Australia and Bachelor of Business majoring in Marketing from RMIT University, Australia)*
ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT	:	M & A Securities Sdn Bhd (197301001503 (15017-H)) 45-11, The Boulevard Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Telephone: 03-2284 2911

1. CORPORATE DIRECTORY *(Cont'd)*

FINANCIAL ADVISER	:	Eco Asia Capital Advisory Sdn Bhd (201801022562 (1284581-H)) Lot 1904, 19th Floor Tower 1, Faber Towers Jalan Desa Bahagia, Taman Desa 58100 Kuala Lumpur Telephone: +603-7971 1822 Managing Director's name: Khoo Chee Siang *(Chartered Accountant, Fellow of the Association of Chartered Certified Accountants and Member of the Malaysian Institute of Accountants)* MIA membership number: CA 21553
LISTING SOUGHT	:	ACE Market
SHARIAH STATUS	:	Approved by Shariah Advisory Council of SC

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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 IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text.

No. of Shares to be issued and amount to be raised under Public Issue (Shares / RM)	160,955,400 / RM45,067,512
No. of Shares to be offered and amount to be raised under Offer for Sale (Shares / RM)	32,192,000 / RM9,013,760
Enlarged no. of Shares upon Listing	643,822,000
IPO Price per Share	RM0.28
Market capitalisation (calculated based on our IPO Price and enlarged no. of Shares upon Listing)	RM180,270,160

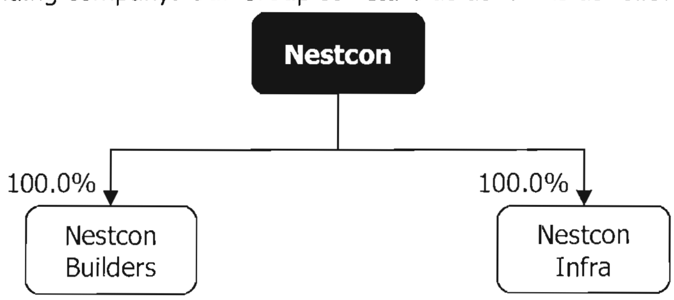
Further details of our IPO are set out in Section 4.

Our Promoters' entire shareholdings after IPO will be held under moratorium for 6 months from the date of Listing. Further details on the moratorium on our Shares are set out in Section 3.2.

2.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia under the Act on 10 March 2020 as a private limited company under the name of Nestcon Sdn Bhd. On 3 September 2020, we converted into a public limited company and adopted our present name.

Our Company was incorporated to facilitate our Listing and our principal activity is that of an investment holding company. Our Group structure as at LPD is as follows:



Through our subsidiaries, we are principally involved in construction services for building and civil engineering and infrastructure projects.

We have 10 years of operating history in the construction industry in Malaysia. Nestcon Infra and Nestcon Builders have since 2011 and 2014 respectively, been registered as Grade 7 (or commonly known as G7) contractors with CIDB for the categories of B04 (Building General Works), CE21 (General Civil Engineering Works) and M15 (Mechanical Works). As G7 contractors under CIDB, the highest grade issued by CIDB, we can undertake projects of any size and of unlimited amounts within Malaysia. In addition, both our subsidiaries are also registered as G7 contractors under Sijil Perolehan Kontrak Kerajaan, which meets the requirements and guidelines of Ministry of Finance, Malaysia allowing us to participate in government awarded contracts.

We are capable of constructing:

(a) various types of buildings such as residential, commercial, industrial and leisure properties; and

(b) various types of civil engineering and infrastructure works such as earthworks, roadworks and drainage works.

Our Group typically acts as a main contractor and / or principal works contractor or a subcontractor for our construction projects. Our revenue breakdown by segments are as follows:

	Audited							
	FYE 2017		**FYE 2018**		**FYE 2019**		**FYE 2020**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Building segment	166,047	87.0	159,886	73.4	246,791	58.4	199,447	57.9
Civil engineering and infrastructure segment	21,764	11.4	54,396	25.0	175,933	41.6	145,032	42.1
Others(2)	3,046	1.6	3,482	1.6	62	(1)-	-	-
	190,857	**100.0**	**217,764**	**100.0**	**422,786**	**100.0**	**344,479**	**100.0**

Notes:

(1) Represents less than 0.1%.

(2) Being rental income from the rental of heavy machineries to our clients.

During FYE 2017 to FYE 2020, our building segment contributed more than 55.0% of our revenue. Within this segment, more than 15.0% of the revenue was derived from the construction of residential properties in Klang Valley. Moving forward, the building segment will continue to contribute largely to our revenue as the unbilled order book from this segment constitutes 73.5% of our total order book as at LPD. Based on the unbilled order book for our building segment as at LPD of RM891.40 million, RM664.10 million or approximately 74.5% is for the construction of mixed development properties in Klang Valley.

The revenue contribution from our civil engineering and infrastructure segment has increased gradually from 11.4% in FYE 2017 to 42.1% in FYE 2020. Moving forward, our Group plans to further expand into civil engineering and infrastructure segment as we believe that our country's on-going economic development will spur the demand for such projects, where government-led initiatives will focus on civil engineering and infrastructure projects involving ground treatment, highways, bridges and transportation infrastructure, major water and sewer reticulation works as well as renewable energy.

As at LPD, our unbilled order book from this segment is RM321.35 million, representing 26.5% of our total unbilled order book. Our civil engineering and infrastructure projects are mainly centred in Klang Valley and southern region of Peninsular Malaysia.

Further details of our Group and our business model are set out in Sections 6 and 7.

2.3 IMPACT OF COVID-19 AND MCO

Due to the Covid-19 pandemic, the Government had imposed the MCO which temporarily suspended our operations at both our project sites and head office. The impact of the above has halted the construction activities of our on-going projects for approximately 8 to 10 weeks beginning from 18 March 2020, which may result in our clients claiming LAD for delays in completion of the projects. In this respect, we have applied to 6 clients for extension of time for the completion of our on-going projects with no imposition of LAD on us, as follows:

	Completion date	
Project	**Contracted**	**Extension of time given**
Grand Project	August 2020	August 2021
Scarletz Project	August 2021	November 2021
Panorama Project	September 2021	December 2021
Mossaz and Paxtonz Project	August 2022	October 2022
Railway Project	Between April 2020 to November 2020 for different sections of the project	July 2021
Provision of elevated roadworks at Damansara Perdana, Selangor	February 2021	August 2021

Given the temporary suspension of activities, our financial performance for FYE 2020 was affected in terms of delayed revenue recognition for the periods where our construction activities were halted. This have resulted in lower revenue for FYE 2020 as compared to FYE 2019, but higher compared to FYE 2018.

The Government announced another MCO ("**MCO 2.0**") which was effective on 13 January 2021, which transitioned to conditional MCO or recovery MCO. Thereafter, another MCO 3.0 was implemented effective 12 May 2021 for the whole country following increases in the number of Covid-19 cases. However, this did not materially impact our operation as exemption was granted by MITI for us to operate as usual.

On 28 May 2021, the Government subsequently announced a full MCO, also known as total lockdown ("**FMCO**") effective 1 June 2021. Following the announcement of the FMCO, we have temporarily suspended our operations at both our project sites and our head office with personnel from head office working remotely. We had on 1 June 2021 submitted applications to MITI to operate our ongoing civil engineering and infrastructure projects and have received approvals to continue our construction activities for 7 out of 15 contracts on 1 June 2021. However, construction works for our building construction segment will not be able to resume during this period. We will continue to monitor any new developments and announcements from relevant authorities, as to when we can fully resume operations at all project sites. Assuming the current FMCO will last around 8 to 10 weeks like the initial MCO which took effect on 18 March 2020, our Board considers that such suspension would not have a material impact on our business operation and financial condition. Nonetheless, the final effects of the Covid-19 pandemic are difficult to assess at this stage and any prolonged Covid-19 pandemic may have negative effect on the Malaysian economy and property development industry as a whole.

If the Government shall impose tighter restrictions which affect the progress of our construction activities, we shall apply to our clients for further extension of time to complete our on-going projects with no imposition of LAD on us.

As at LPD, we have complied with the latest standard operating procedures imposed by the Government, and all our on-going projects are progressing. We have also not experienced any termination or cancellation of any of our ongoing projects, and as such our Group is expected to continue recognising revenue in the immediate FYE 2021.

Further details on the impact and measures to commence and continue our operations are set out in Section 7.8.

2.4 COMPETITIVE STRENGTHS

Our Directors believe that our business sustainability and future growth is built on the following competitive strengths:

(a) We have a proven track record of 10 years in the construction industry. By leveraging on our experience, we have been proposing and providing our clients with value added services such as alternative design through value engineering to achieve cost and/or time savings;

(b) We are led by our Group Managing Director, Executive Directors and other key senior management, all of whom have valuable experience in the construction industry; and

(c) We are committed to delivering quality projects. We have developed and implemented an Integrated Management System that is assessed by AGM Certification Sdn Bhd and accredited with internationally recognised standards.

Further details of our competitive strengths are set out in Section 7.15.

2.5 BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth in our business and create long term shareholder value. To achieve our business objectives, we will implement the following business strategies over the period of 24 months from the date of our Listing:

(a) Establishing our own on-site IBS casting yard to produce hollow core slabs, half slabs and precast bathroom units on a suitable project site. The on-site casting yard within the project site is expected to provide savings in terms of supply chain costs as we are able to reduce transportation costs from external off-site casting yard that we would have to otherwise incur; and

(b) Improve our profile by tendering for more construction projects in the high-rise buildings segment and other building segments such as purpose-built and industrial buildings as well as to expand our civil engineering and infrastructure project portfolio by participating in the construction of large-scale solar photovoltaic projects.

Further details of our business strategies are set out in Section 7.16.

2.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 9. Some of the more important risk factors are summarised below:

(a) We may be adversely affected by the wider macroeconomic effect of the ongoing Covid-19 pandemic and possible similar future outbreaks of viruses. While the final effects of the Covid-19 pandemic are difficult to assess at this stage, it is possible that it will have substantial negative effect on the Malaysian economy and property development industry including our Government infrastructure spending. Any negative effect on the economies and markets where we operate in may decrease the demand for our services and have a material adverse effect on our Group;

(b) There is no assurance of continuity from one project to the next project as it is common for jobs to be awarded based on competitive bidding. The continuity of our order book is not assured as there is a risk that we may not be able to secure every contract that we tender for and any significant decline in our order book will adversely affect our long term sustainability and growth. In addition, certain major clients such as Client A and EXSIM Group contribute significantly to our order book. Client A and EXSIM Group contributed 32.2% and 34.5% of our revenue for FYE 2020, respectively. The unbilled portion of our contracts with Client A and EXSIM Group represents 7.8% and 46.4% of our order book respectively as at LPD;

(c) Our financial performance may be impaired if there are any unanticipated increase in costs associated with our construction projects such as lower than anticipated productivity, conditions at the work sites differing materially from what was anticipated at the time we bid for the contract, higher costs of materials and labour, delay in the availability of financing and political or social disruptions, amongst others;

(d) Our failure to complete our projects within the stipulated contract period could result in our clients imposing LAD on us. We are dependent on many external factors inherent in the construction industry including, inter alia, the timely receipt of requisite licences, permits or regulatory approvals, availability of construction materials, equipment and labour, availability of financing and satisfactory performance of any subcontractors appointed;

(e) Our operations depend on the availability of an adequate supply of construction materials at competitive prices as our construction materials are price sensitive;

(f) We are dependent on the services of our subcontractors to complete our contracts particularly those requiring specialised licences such as M&E engineering works, piping and plumbing works, external painting works and water proofing works. As our subcontractors have no direct contractual relationship with our clients, we are subject to risks associated with non-performance, late performance or poor performance by our subcontractors;

(g) We are dependent on the property development industry and Government infrastructure spending in Malaysia. Any adverse changes in Government policies vis-à-vis the property market and infrastructure spending such as housing, land and development policies as well as policies and stimulus for economic development that drives up spending for construction services could adversely affect the performance of the property industry and construction activities in Malaysia; and

(h) Our business may be adversely affected as we face competition in the construction industry from competitors which may have greater resources than us or have specialised expertise in certain segments.

2. PROSPECTUS SUMMARY (*Cont'd*)

2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Mohd Noor bin Setapa	Independent Non-Executive Chairman
Datuk Ir. Dr. Lim	Group Managing Director
Ong Yong Chuan	Executive Director
Lim Joo Seng	Finance Director
Nor Azzam bin Abdul Jalil	Independent Non-Executive Director
Yeoh Sheong Lee	Independent Non-Executive Director
Key senior management	
Yee Chee Sing	Project Director (Civil Engineering and Infrastructure Division)
Lau Hoe Cheong	General Manager, Tender and Contracts (Civil Engineering and Infrastructure Division)
Khoo Chun How	Senior Manager, Tender and Contracts (Building Division)
Lim Kie Nyap	Senior Project Manager (Building Division)
Wong Wai Peng	Group Finance Manager

Further details of our Directors and key senior management are set out in Section 5.

2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The shareholdings of our Promoters and substantial shareholders in our Company before and after IPO are set out below:

		[(1)]Before IPO				[(2)(3)]After IPO			
		Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Ir. Dr. Lim	Malaysian	413,565,558	85.6	-	-	385,993,758	60.0	-	-
Ong Yong Chuan	Malaysian	69,301,042	14.4	-	-	64,680,842	10.0	[(4)]300,000	0.05

Notes:

(1) Based on the share capital of 482,866,600 Shares before IPO.

(2) Based on the enlarged share capital of 643,822,000 Shares after IPO.

(3) After Public Issue and Offer for Sale.

(4) Deemed interest by virtue of his spouse's interest pursuant to Section 8 of the Act and assuming his spouse will fully subscribe for her entitlements under the Pink Form Allocations.

Further details of our Promoters and substantial shareholders are set out in Section 5.

2.9 UTILISATION OF PROCEEDS

The gross proceeds to be raised by our Company from the Public Issue of RM45.07 million shall be utilised in the following manner:

Utilisation of proceeds	RM'000	%	[(1)]Estimated timeframe for utilisation
Establish our IBS facility for our building division	6,000	13.3	Within 24 months
Acquire machineries and equipment for our business expansion in the civil engineering and infrastructure division	6,615	14.7	Within 24 months
Upgrade software and systems	1,000	2.2	Within 12 months
Repayment of bank borrowings	16,500	36.6	Within 3 months
Working capital	10,953	24.3	Within 12 months
Estimated listing expenses	4,000	8.9	Within 1 month
Total	**45,068**	**100.0**	

Note:

(1) From the date of listing of our Shares.

There is no minimum subscription to be raised from IPO.

Detailed information on our utilisation of proceeds is set out in Section 4.9.

The gross proceeds from the Offer for Sale of approximately RM9.01 million shall accrue entirely to the Selling Shareholders.

2.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

The selected financial and operational information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

2.10.1 Combined statements of profit or loss and other comprehensive income

The following table sets out the financial highlights based on our combined statements of profit or loss and other comprehensive income for FYE 2017 to FYE 2020:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	190,857	217,764	422,786	344,479
GP	17,584	27,334	37,876	33,283
PBT	8,549	14,374	22,182	19,211
PAT	5,943	9,901	15,767	14,301
PAT attributable to owners of our Company	5,483	7,455	14,587	14,301
Basic EPS (sen) (1)	1.14	1.54	3.02	2.96
Diluted EPS (sen) (2)	0.85	1.16	2.27	2.22
GP margin (%) (3)	9.2	12.6	9.0	9.7
PBT margin (%) (4)	4.5	6.6	5.2	5.6
PAT margin (%) (4)	3.1	4.5	3.7	4.2

Further details on the financial information are set out in Sections 12 and 13.

Notes:

(1) Calculated based on PAT attributable to owners of our Company divided by our number of Shares in issue before IPO.

(2) Calculated based on PAT attributable to owners of our Company divided by our enlarged number of Shares in issue after IPO.

(3) Calculated based on GP over revenue.

(4) Calculated based on PBT or PAT over revenue.

There were no exceptional items during the financial years under review. Our audited combined financial statements for the past financial years under review were not subject to any audit qualifications.

2.10.2 Pro forma statements of financial position

The following table sets out a summary of the pro forma statements of financial position of our Group based on our audited combined financial statements as at 31 December 2020 to show the effects of the Acquisitions, IPO and utilisation of proceeds. It is presented for illustrative purposes only and should be read together with the pro forma statements of financial position as set out in Section 14.

	Audited	**I**	**II**	**III**
	As at 31 December 2020	**After Acquisitions**	**After I and IPO**	**After II and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Total non-current assets	106,969	106,969	106,969	120,584
Total current assets	235,561	235,561	280,628	246,884
TOTAL ASSETS	**342,530**	**342,530**	**387,597**	**367,468**
EQUITY AND LIABILITIES				
Share capital	*	57,944	103,011	101,469
Invested equity	10,400	-	-	-
Reorganisation reserve	-	(47,544)	(47,544)	(47,544)
Retained earnings	61,845	61,845	61,845	59,758
TOTAL EQUITY	**72,245**	**72,245**	**117,312**	**113,683**
Total non-current liabilities	36,145	36,145	36,145	36,145
Total current liabilities	234,140	234,140	234,140	217,640
TOTAL LIABILITIES	**270,285**	**270,285**	**270,285**	**253,785**
TOTAL EQUITY AND LIABILITIES	**342,530**	**342,530**	**387,597**	**367,468**

	Audited	I	II	III
	As at 31 December 2020	After Acquisitions	After I and IPO	After II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
No. of Shares in issue	(1)	482,866,600	643,822,000	643,822,000
(NL)/NA per Share (RM)	(*)	0.15	0.18	0.18

Notes:

* Less than RM1,000.

(1) Our Company was incorporated on 10 March 2020.

2.10.3 Key financial ratios

The key financial ratios of our Group for FYE 2017 to 2020 are as follows:

	Audited			
	31 December 2017	31 December 2018	31 December 2019	31 December 2020
Trade receivables turnover (days)	223	100	47	68
Trade payables turnover (days)	193	138	99	152
Current ratio (times)	0.9	0.9	1.0	1.0
Gearing ratio (times)	0.7	1.4	1.1	1.1
Net current (liabilities)/ assets (RM'000)	(16,117)	(6,155)	987	1,421

The net current liabilities position as at 31 December 2017 and 31 December 2018 was primarily attributable to:

(a) Higher percentage of retention sum receivables from our building segment in FYE 2017, approximately 33.1% or RM36.89 million of our total trade receivables consist of retention sum which are classified as non-current assets vis-à-vis 30.2% (RM29.36 million) for FYE 2018 and 22.4% (RM26.20 million) for FYE 2019. The retention sum receivables for FYE 2017 was mainly attributable to our first building construction project, Petalz Project that was completed in May 2017, but its retention sum has yet to be fully released in FYE 2017. This coupled with the Nest Residence Project and Nidoz Project which commenced in FYE 2016, further increased our retention sum receivables in FYE 2017;

(b) Temporary timing differences mainly arising from the Nest Residence Project when progress billings raised by us to clients was higher than the costs incurred plus recognised profits. This resulted in contract liabilities of RM15.71 million as at 31 December 2017. Although the progress billings were captured as trade receivables, a portion of such progress billings were retained as retention sum (i.e. non-current asset). As such, our current liabilities increased more than our current assets in FYE 2017;

(c) Short-term financing facilities such as bank overdraft, factoring payable and advances from Directors to partially finance our construction contracts which generally require 1 to 3 years to complete; and

(d) Acquisition of property, plant and equipment (i.e. non-current asset) which resulted in the increase of current lease liabilities and payment in cash in FYE 2017 and FYE 2018.

Further details on the key financial ratios are set out in Section 12.8.

2.10.4 Operational highlights

Since the commencement of our business in 2010 and up to LPD, we have completed over 20 contracts comprising:

(a) 8 building construction contracts in the Klang Valley with total contract value of approximately RM837.83 million; and

(b) 21 civil engineering and infrastructure construction contracts throughout Malaysia with total contract value of approximately RM143.81 million.

Our total unbilled order book is approximately RM1,212.75 million as at LPD, comprising RM891.40 million from 7 building construction contracts and RM321.35 million from 15 civil engineering and infrastructure construction contracts.

2.11 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. It is our intention to pay dividends to shareholders in the future, however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Further details of our dividend policy are set out in Section 12.16.

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3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 Bursa Securities approval

Bursa Securities had, vide its letter dated 17 February 2021, approved our admission to the Official List of the ACE Market and the Listing. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(a)	Submit the following information with respect to the moratorium on the shareholdings of the promoter to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied
(b)	Approvals from other relevant authorities have been obtained for implementation of the listing proposal;	Complied
(c)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Notes 15 of the Listing Requirements;	To be complied
(d)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Nestcon on the first day of Listing;	To be complied
(e)	Ensure any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to the Listing;	Complied
(f)	In relation to the Public Issue to be undertaken by Nestcon, to announce at least 2 Market Days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholders of Nestcon arising from the Public Issue, if any.	To be complied
(g)	Nestcon / M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Nestcon to the Official List of the ACE Market.	To be complied

3. APPROVALS AND CONDITIONS *(Cont'd)*

3.1.2 SC approval

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

The SC had, vide its letter dated 21 May 2021, approved our resultant equity structure pursuant to our Listing under the equity requirement for public listed companies. The approval from the SC is subject to Nestcon allocating shares equivalent to at least 12.5% of its enlarged number of issued shares at the point of listing to Bumiputera investors to be approved by MITI. In addition, Nestcon is to make available at least 50% of the balloting portion for subscription by Bumiputera public investors.

The effect of our Listing on our equity structure is as follows:

Category of shareholders	As at incorporation		After Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	[1]97,071,400	15.1
Non-Bumiputera	100	100.0	546,750,600	84.9
Malaysian	**100**	**100.0**	**643,822,000**	**100.0**
Foreigners	-	-	-	-
Total	**100**	**100.0**	**643,822,000**	**100.0**

Note:

(1) Based on the assumption that the Shares allocated to our Bumiputera Director under the Pink Form Allocations and Bumiputera investors shall be fully subscribed as follows:

Category	No. of Shares	%
Nor Azzam bin Abdul Jalil (our Independent Non-Executive Director)	500,000	0.1
Bumiputera public investors via balloting	16,096,000	2.5
Private placement to identified Bumiputera investors approved by MITI	80,475,400	12.5
Total	**97,071,400**	**15.1**

The Shariah Advisory Council of SC had, vide its letter dated 31 March 2021 classified our Shares as shariah-compliant based on our audited combined financial statements for FYE 2019.

3. APPROVALS AND CONDITIONS *(Cont'd)*

3.1.3 MITI approval

The MITI had, vide its letter dated 28 April 2021, taken note and has no objection to our Listing.

3.1.4 Waiver

M&A Securities had on behalf of our Company sought relief from the SC to waive the requirements to comply with the following provisions of the Prospectus Guidelines:

No	Guidelines/Relief sought	SC's decision
(a)	Paragraph 9.05, Division 1, Part II of the Prospectus Guidelines Relief from having to submit the audited interim financial report which is required to be provided, if the date of the prospectus issuance is later than 6 months after the end of the most recent financial year, as well as any other consequential disclosures required.	Approved on 9 June 2020, subject to: (i) The date of the most recent audited financial statements disclosed in the prospectus should not exceed 9 months from the date of submission of the application for registration of prospectus to the SC; (ii) The unaudited interim financial statements, with the relevant management's discussion and analysis should be submitted together with the application for the registration of prospectus to the SC; and (iii) If the audited financial information disclosed in the prospectus is required to be updated, then the updated prospectus should be submitted to the SC at least 14 market days prior to the confirmation of registration of the said prospectus by the SC.
(b)	Paragraphs 5.10 and 5.11, Part II Contents of Prospectus, Division I Equity Relief to redact the name of one major customer and to describe it as "Client A". Relief to redact the name of one major supplier and to describe it as "Client A's group of related companies".	Approved on 29 September 2020.

3. APPROVALS AND CONDITIONS *(Cont'd)*

3.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19(1A)(b) of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Promoters. The moratorium shall apply to the entire shareholdings of our Promoters for a period of 6 months from the date of our admission to the ACE Market.

Details of our Promoters and their Shares which will be subject to the abovesaid moratorium, are set out below:

Promoters	(1)No. of Shares	(2)%
Datuk Ir. Dr. Lim	385,993,758	60.0
Ong Yong Chuan	64,680,842	10.0
	450,674,600	**70.0**

Notes:

(1) After Offer for Sale.

(2) Based on the enlarged share capital of 643,822,000 Shares after IPO.

The moratorium has been fully accepted by our Promoters, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by our Promoters to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on 8 June 2021 and will remain open until 5.00 p.m. on 17 June 2021. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 INDICATIVE TIMETABLE

Events	Indicative date
Issuance of this Prospectus/ Opening of Application	8 June 2021
Closing Date/Closing of Application	17 June 2021
Balloting of Application	21 June 2021
Allotment/Transfer of IPO Shares to successful applicants	28 June 2021
Date of Listing	29 June 2021

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

4.3 DETAILS OF OUR IPO

4.3.1 Listing scheme

(i) Public Issue

A total of 160,955,400 Issue Shares, representing approximately 25.0% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(a) Malaysian Public

32,192,000 Shares, representing approximately 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 16,096,000 Shares made available to public investors; and

(bb) 16,096,000 Shares made available to Bumiputera public investors.

(b) Eligible Directors, employees and persons who have contributed to the success of our Group

32,192,000 Shares, representing approximately 5.0% of our enlarged share capital, are reserved for our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.3.

(c) Private placement to Bumiputera investors approved by MITI

80,475,400 Shares, representing approximately 12.5% of our enlarged share capital, are reserved for private placement to Bumiputera investors approved by MITI.

(d) Private placement to selected investors

16,096,000 Shares, representing approximately 2.5% of our enlarged share capital, are reserved for private placement to selected investors.

The basis of allocation of the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

The allocation of Issue Shares to selected Bumiputera investors shall be subject to the allocation as approved by MITI. Any unsubscribed Issue Shares under this allocation shall firstly be reallocated to institutional investors. If after the above reallocation, there are still Issue Shares not taken up, the said unsubscribed Issue Shares shall then be offered to Bumiputera public investors via balloting.

Upon completion of our Public Issue, our share capital will increase from RM57.94 million comprising 482,866,600 Shares to RM103.01 million comprising 643,822,000 Shares. There is no over-allotment or 'greenshoe' option that will increase the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

(ii) Offer for Sale

Our Selling Shareholders will undertake an offer for sale of 32,192,000 Offer Shares, representing approximately 5.0% of our enlarged share capital at our IPO Price. The Offer for Sale shall be undertaken by way of private placement to selected investors.

Further details of our Selling Shareholders are set out in Section 4.3.2.

Our Offer for Sale is subject to the terms and conditions of this Prospectus.

(iii) Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM103.01 million comprising 643,822,000 Shares shall be listed on the ACE Market.

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4. DETAILS OF OUR IPO (*Cont'd*)

4.3.2 Selling Shareholders

Details of our Selling Shareholders are as follows:

		[1]Before IPO		Offer Shares offered			After IPO	
Name/ Residential address	Material relationship with our Group	No. of Shares	[2]%	No. of Shares	[2]%	[3]%	No. of Shares	[3]%
Datuk Ir. Dr. Lim / 6, Jalan Sungai Merbau 32/76A Kelab Golf Dan Resort Bukit Kemuning 40460 Shah Alam Selangor	Promoter, major shareholder and Group Managing Director	413,565,558	85.6	27,571,800	5.7	4.3	385,993,758	60.0
Ong Yong Chuan/ 16, Jalan LP8/4 Taman Lestari Perdana 43300 Seri Kembangan Selangor	Promoter, major shareholder and Executive Director	69,301,042	14.4	4,620,200	0.9	0.7	64,680,842	10.0

Notes:

(1) After completion of Acquisitions but prior to Public Issue.

(2) Based on the share capital of 482,866,600 Shares before IPO.

(3) Based on the enlarged share capital of 643,822,000 Shares after IPO.

The Selling Shareholders shall bear all expenses such as placement fee and miscellaneous fees estimated at approximately RM0.19 million relating to the Offer Shares. The Offer Shares are not underwritten by our Underwriter.

Further details of our Selling Shareholders, who are also our Promoters, substantial shareholders and Directors can be found in Sections 5.1 and 5.2.

4.3.3 Pink Form Allocations

We have allocated 32,192,000 Issue Shares under the Pink Form Allocations to our eligible Directors, employees and persons who have contributed to the success of our Group as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares allocated
Eligible Directors	4	3,500,000
Eligible employees	128	12,500,000
Persons who have contributed to the success of our Group	35	16,192,000
	167	**32,192,000**

Entitlements which are not accepted by certain eligible Directors, employees and persons who have contributed to the success of our Group will be reallocated to the other eligible Directors as set out in the table below and other eligible employees and persons who have contributed to the success of our Group at the discretion of our Board.

(a) Allocation to eligible Directors

The criteria for allocation to our eligible Directors are based on amongst others their anticipated contribution to our Group. Datuk Ir. Dr. Lim (our Group Managing Director) and Ong Yong Chuan (our Executive Director) have opted not to participate in the Pink Form Allocations as they are already our substantial shareholders.

Details of the proposed allocation to our other Directors are as follows:

Name	Designation	No. of Issue Shares allocated
Mohd Noor bin Setapa	Independent Non-Executive Chairman	500,000
Lim Joo Seng	Finance Director	2,000,000
Nor Azzam bin Abdul Jalil	Independent Non-Executive Director	500,000
Yeoh Sheong Lee	Independent Non-Executive Director	500,000
		3,500,000

(b) Allocation to our eligible employees

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

(i) Our employees must be an eligible and confirmed employee and on the payroll of our Group;

(ii) The number of Issue Shares allocated to our eligible employees are based on their seniority, position, their length of service and their respective contribution made to our Group as well as other factors deemed relevant to our Board; and

(iii) Full time employee of at least 18 years of age.

Included in the allocation to our eligible employees are the proposed allocations to our key senior management are as follows:

Name	Designation	No. of Issue Shares allocated
Yee Chee Sing	Project Director (Civil Engineering and Infrastructure Division)	1,000,000
Lau Hoe Cheong	General Manager, Tender and Contracts (Civil Engineering and Infrastructure Division)	1,000,000
Khoo Chun How	Senior Manager, Tender and Contracts (Building Division)	1,000,000
Lim Kie Nyap	Senior Project Manager (Building Division)	1,000,000
Wong Wai Peng	Group Finance Manager	1,000,000
		5,000,000

(c) Allocation to persons who have contributed to the success of our Group

Persons who have contributed to the success of our Group include business associates, contractors and suppliers.

The number of Issue Shares to be allotted to those persons who have contributed to the success of our Group are based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group.

4.3.4 Placement and underwriting arrangement

Our Underwriter will underwrite 64,384,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 96,571,400 Issue Shares and 32,192,000 Offer Shares available for application by Bumiputera investors approved by MITI and selected investors will be placed out by our Placement Agent and will not be underwritten.

Any of our Issue Shares not subscribed by the Malaysian Public or Pink Form Allocations will be made available to selected investors via private placement.

Any of our Issue Shares not subscribed or accepted by Bumiputera investors approved by MITI under the private placement as stated in Section 4.3.1(i)(c) above shall firstly be reallocated to institutional investors. If after the above reallocation, there are still Issue Shares not taken up, the said unsubscribed Issue Shares will be made available for subscription by the Bumiputera general public via the balloting process.

However, if all Issue Shares offered to the Malaysian Public are oversubscribed, shares not subscribed for under the Pink Form Allocations (if any) will be made available for application by the Malaysian Public. Any remaining Issue Shares which are not subscribed by the Malaysian Public or Pink Form Allocations will then be made available to selected investors under private placement. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement. Our Board will ensure that any excess IPO Shares will be allocated on a fair and equitable manner.

4.3.5 Minimum and over-subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Directors.

Under the Listing Requirements, at least 25.0% of our enlarged share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing. If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. In such an event, we will return in full, without interest, all monies paid in respect of all Applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

Upon completion of our IPO, our share capital would be as follows:

Details	No. of Shares	RM
Share capital		
As at the date of this Prospectus	482,866,600	57,943,977
To be issued under our Public Issue	160,955,400	45,067,512
Enlarged share capital upon our Listing	**643,822,000**	**103,011,489**

Our Offer for Sale will not have effect on our share capital.

As at the date of this Prospectus, we have only one class of shares, being ordinary shares, all of which rank equally amongst one another.

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 rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares.

Our Offer Shares rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meetings in person or by proxy or by other duly authorised representative. Every shareholder present in person or by proxy or other duly authorised representative shall have one vote for each Share held.

4.5 PURPOSES OF OUR IPO

The purposes of our IPO are as follows:

(a) To enable our Group to raise funds for the purposes specified in Section 4.9 herein;

(b) To gain recognition through our listing status to enhance our reputation when tendering for new construction projects and to retain and attract new, skilled employees from the construction industry;

(c) To provide an opportunity for the Malaysian Public, including our eligible Directors, employees and persons who have contributed to the success of our Group to participate in our equity; and

(d) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise.

4.6 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and M&A Securities, as our Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

(a) Our pro forma NA per Share as at 31 December 2020 after Acquisitions, IPO and utilisation of proceeds of RM0.18, calculated based on our pro forma NA after Acquisitions, IPO and utilisation of proceeds as at 31 December 2020 of approximately RM113.68 million and enlarged share capital of 643,822,000 Shares upon Listing;

(b) The PE Multiple of our IPO Price of approximately 12.61 times based on our EPS of approximately 2.22 sen for FYE 2020, calculated based on our PAT attributable to owners of our Company for FYE 2020 of RM14.30 million and enlarged share capital of 643,822,000 Shares upon Listing;

(c) Our historical financial track record as follows:

	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	190,857	217,764	422,786	344,479
GP	17,584	27,334	37,876	33,283
PAT attributable to owners of our Company	5,483	7,455	14,587	14,301

(d) Our competitive strengths as set out in Section 7.15; and

(e) Our business strategies and prospects as set out in Section 7.16.

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

4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and enlarged share capital of 643,822,000 Shares upon Listing, our total market capitalisation will be RM180.27 million.

4.8 DILUTION

Dilution is the amount by which our IPO Price exceeds our pro forma NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

	RM
IPO Price	0.28
Pro forma NA per Share as at 31 December 2020 after Acquisitions and before IPO	0.15
Pro forma NA per Share as at 31 December 2020 after Acquisitions, IPO and utilisation of proceeds	0.18
Increase in pro forma NA per Share attributable to existing shareholders	0.03
Dilution in pro forma NA per Share to our new public investors	0.10
Dilution in pro forma NA per Share as a percentage of our IPO Price	35.7%

Further details of our pro forma NA per Share as at 31 December 2020 is set out in Section 14.

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

Shareholders	(1) No. of Shares received	Total consideration	Average effective cost per Share
		RM'000	RM
Datuk Ir. Dr. Lim	413,565,558	49,628	0.12
Ong Yong Chuan	69,301,042	8,316	0.12
	482,866,600	**57,944**	

Note:

(1) Issued under the Acquisitions and includes the 100 subscriber shares issued upon the incorporation of our Company and 667 Shares issued for cash to Datuk Ir. Dr. Lim.

Save as disclosed above and the Pink Form Allocations to our eligible Directors and key senior management, there has been no acquisitions or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to LPD.

4.9 UTILISATION OF PROCEEDS

4.9.1 Public Issue

The estimated gross proceeds from our Public Issue of RM45.07 million will accrue entirely to us and are planned to be utilised in the following manner:

Utilisation of proceeds	Notes	RM'000	%	[(1)]Estimated timeframe for utilisation
Establish IBS facility for our building division	(a)	6,000	13.3	Within 24 months
Acquire machineries and equipment for our business expansion in the civil engineering and infrastructure division	(b)	6,615	14.7	Within 24 months
Upgrade software and systems	(c)	1,000	2.2	Within 12 months
Repayment of bank borrowings	(d)	16,500	36.6	Within 3 months
Working capital	(e)	10,953	24.3	Within 12 months
Estimated listing expenses	(f)	4,000	8.9	Within 1 month
Total		**45,068**	**100.0**	

Pending the deployment of the proceeds raised from our Public Issue as aforementioned, the funds will be placed in short-term deposits with financial institutions.

Notes:

(1) From the date of Listing.

(a) Establish IBS facility for our building division

We have allocated RM6.00 million to establish our own IBS facility by setting up an on-site casting yard to produce hollow core slabs, half slabs and precast bathroom units in a suitable project site. We will need to purchase the following machineries for this purpose:

Type of machinery and equipment	Usage	Purchase quantity	Total cost
			RM'000
Hollow core plant - extruder	The main equipment used to produce hollow core slabs, half slabs and precast bathroom	1	2,000
Concrete batching plant	To produce concrete	1	1,000
Casting base	The casting mould used in the production of the hollow core slabs	4	700
Base mould	The casting mould used in the production of half slabs	1	250
Mould for precast bathroom unit	The mould used in the production of precast bathroom units	4	400

4. DETAILS OF OUR IPO (*Cont'd*)

Type of machinery and equipment	Usage	Purchase quantity	Total cost
Semi portal gantry crane	Lifting and handling of hollow core slabs	2	400
Related accessories	Various miscellaneous items such as cables, wires, lifting equipment, blade saws, magnetic slide former slab transportation equipment and covering equipment, to be used in the production of hollow core slabs, half slabs and precast bathroom units	-	1,250
			6,000

All the above machineries and equipment will be purchased locally and will be utilised for our future projects.

Our Group has been using aluminium formwork system, which is an on-site casting IBS that uses aluminium formwork for multi-storied buildings. This system has been adopted in the typical tower floors of all of our high-rise building construction projects.

Moving forward, the IBS facility that we plan to establish is to produce precast products i.e. hollow core slabs, half slabs and precast bathroom units. These precast products will be used to supplement the aluminium formwork system that we currently use.

Precast hollow core slabs can be used as concrete flooring for parking podium to expedite the construction of parking podium as they can be installed quickly and safely on-site in variable weather conditions, thus reducing the time required to construct the parking podium by approximately 40% compared to conventional beam slabs. Other than faster construction time, the use of precast hollow core slabs also reduces dependency of on-site labour. Additionally, precast hollow core slabs also have higher fire resistance quality, better insulation and thermal properties as compared to conventional beam slabs.

Precast half slabs and precast bathroom units can be used for tower blocks. The advantage of using these precast products is that the construction of the bathroom can be done simultaneously with the construction of the building, which will result in faster construction time. In addition, the precast bathroom unit is constructed as an entire self-contained unit which results in better waterproofing compared with the traditional method of construction.

The core products of our IBS setup comprising precast hollow core slab, half slabs and precast bathroom units will ensure continuity of production process for our casting yard as these precast products will be used at different stages of construction, i.e. precast hollow core slabs are used for constructing parking podium while half slabs and precast bathroom units are used during the tower construction stage.

Generally, such precast products are produced off-site at designated casting yard and delivered to the project site for installation. The on-site casting yard is expected to provide savings in terms of supply chain costs as we are able to reduce transportation costs from external off-site casting yard. Depending on the distance between the off-site casting yard to the project site, the average transportation costs within Klang Valley for precast hollow core slab is approximately RM7 per square metre, which represents approximately 11% of the total purchase price of the precast hollow core slab. As such, having an on-site casting yard for precast products will result in savings of at least 10% in transportation costs whilst reducing the construction time.

In addition, the machineries acquired for such casting/ fabrication process can be redeployed to other project sites in the future. Please refer to Section 7.16.1 for further details. We do not expect any potential disruptions from the ongoing Covid-19 and MCO on our future plan to establish the IBS facility as the machineries and equipment required will be purchased locally, and we have allocated 24 months from our Listing Date to implement this plan. However, the exact timing of such purchase will depend on the final acceptance of our IBS proposal by one of our major clients. Our on-site casting yard will be set up on an identified section of their 61 acres land which has been earmarked for a mixed township development, spanning 10 to 12 years from 2020 and with estimated gross development value of RM9 billion. As at LPD, we have 6 ongoing contracts with the said client within the vicinity of this mixed township development.

We have presented our IBS proposal to the said client and the proposal has been evaluated by the said client's consulting engineer. We have also received promising outcome from the technical discussions held with them. Based on further discussions with the said client, the development project which will be utilising the IBS method is currently in the design stage and is expected to be launched in early 2022. As such, the final acceptance of our IBS proposal is expected by fourth quarter 2021.

We have obtained quotations for the purchase of new machineries and equipment, and we have also been sourcing for the above used and/or pre-owned machineries and equipment and obtaining quotation for the cost to repair and make good such pre-owned machineries and equipment. As we have already undertaken planning work to set up the IBS facility, we expect our on-site casting yard to be operational no later than 24 months from the Listing Date.

If the actual cost exceeds the amount allocated, the deficit will be funded from our internally-generated funds and/or bank borrowings. The RM6.00 million allocated is the estimated costs to set up our IBS facility, if there are any excess, the excess will be reallocated to our working capital.

(b) Acquire machineries and equipment for our business expansion in the civil engineering and infrastructure division

We intend to utilise RM6.62 million of the proceeds to purchase various machineries and equipment to support our business expansion for the civil engineering and infrastructure segment. We have taken into consideration our scope of work for our ongoing civil engineering and infrastructure projects as well as our order book and tender book in determining the following machineries and equipment to be purchased.

All the following machineries and equipment will be purchased locally.

Type of machinery and equipment	Usage	Purchase quantity	Total cost
			RM'000
Excavator	Digging of trenches, holes, foundations and handling of soil and rocks	3	2,067
Off road dump trucks and off road mining dump trucks	To transport large volumes of loose materials such as sand, gravel or demolition waste in the construction sites	15	4,548
			6,615

As at LPD, our current fleet of machinery and equipment is insufficient to serve our ongoing projects and we have been renting machinery and equipment on periodic basis. The machineries and equipment to be purchased will be used for our ongoing projects and reduce our dependency on rented machinery and equipment.

Moreover as at LPD, we have 40 tenders for civil engineering and infrastructure projects across Malaysia with a total tender sum of RM1,880.39 million, which are still pending decision from client. These tendered projects, if awarded to us, will further increase the usage of our machinery and equipment. Please refer to Section 7.16.2(c) for further details on our expansion plans into civil engineering and infrastructure projects.

We do not expect any potential disruptions from the ongoing Covid-19 and MCO on our plans to acquire these machineries and equipment as they will be purchased locally, and it will be used for our ongoing projects. We have allocated 24 months from our Listing Date to purchase it.

If the actual cost of the capital expenditure exceeds the amount allocated, the deficit will be funded from our internally-generated funds and/or bank borrowings. The RM6.62 million allocated is the estimated costs for the purchase of the above machineries and equipment for our civil engineering and infrastructure segment, if there are any excess, the excess will be reallocated to our working capital.

(c) Upgrade software and systems

We have allocated RM1.00 million to upgrade our software and systems. Our current back office systems such as accounting system, purchasing system are not integrated. We intend to upgrade to an integrated resource planning system to facilitate our business expansion. The integrated resource planning system will enable us to streamline our processes, eliminate redundant process through automation, centralised our data and improve planning and reporting work.

(d) Repayment of bank borrowings

We have allocated RM16.50 million to partially repay our bank borrowings in the following priority:

(i) RM7.00 million to repay our factoring facility from AmBank (M) Berhad. As at LPD, the outstanding amount of this facility was RM10.48 million. Such facility was previously taken for the Scarletz Project. We decided to repay this facility as the Scarletz Project will be completing in November 2021 and it also carries a higher interest rate as compared to our other banking facilities; and

(ii) RM9.50 million will be used to reduce our overdraft balances from OCBC Bank (Malaysia) Berhad and United Overseas Bank (Malaysia) Bhd. As at LPD, our outstanding overdraft from the OCBC Bank (Malaysia) Berhad and United Overseas Bank (Malaysia) Bhd amounts to RM14.92 million and RM7.88 million respectively. This facility was previously taken to finance our working capital. We decided to repay these balances to reduce our financing cost.

Based on the above, the expected annual interest savings is approximately RM1.08 million based on the interest rate of 6.5% per annum and 6.6%-6.7% per annum for the factoring facility and overdraft balances respectively. However, the actual interest savings may vary depending on the then applicable interest rate.

(e) Working capital

A total of RM10.95 million will be used to supplement our general working capital requirements. The proposed allocations of the proceeds are set out below:

Working capital	**RM'000**
Payment to subcontractors and suppliers for purchase of building materials	8,000
Maintenance costs and purchase of consumables and spare parts for construction machinery and equipment	2,953
	10,953

Subcontractors cost and purchase of building materials are our largest cost of sales item (collectively contributing between 80.7% to 85.7% in FYE 2017 to FYE 2020) and as such, we have allocated more than half of the proceeds earmarked for working capital requirements to pay our subcontractors and suppliers.

The allocation of proceeds for our working capital requirements will reduce our dependency on external financing and allow us to undertake more construction projects concurrently. Please refer to Section 7.16.2 for further details.

(f) Estimated listing expenses

An amount of RM4.0 million is allocated to meet the estimated cost of our Listing. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Estimated listing expenses	**RM'000**
Professional fees[(1)]	2,511
Fees payable to authorities	16
Underwriting, placement and brokerage fees	1,290
Printing, advertising fees and contingencies[(2)]	183
	4,000

Notes:

(1) Includes advisory fees for, amongst others, our Principal Adviser, solicitors, reporting accountants, IMR and Issuing House.

(2) Other incidental or related expenses in connection with our IPO.

If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements.

4.9.2 Offer for Sale

The Offer for Sale will raise gross proceeds of approximately RM9.01 million which will accrue entirely to our Selling Shareholders.

4.10 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION

4.10.1 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysia Investment Banking Association in Malaysia or Issuing House.

4.10.2 Placement fees

Our Placement Agent will place out a total of 96,571,400 Issue Shares and 32,192,000 Offer Shares to Bumiputera investors approved by MITI and selected investors.

We will pay our Placement Agent a placement fee of 2.5% of our IPO Price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of 2.5% of the value of those Offer Shares placed out by our Placement Agent will be borne entirely by the Selling Shareholders.

4.10.3 Underwriting commission

Our Underwriter has agreed to underwrite 64,384,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We will pay our Underwriter an underwriting commission of 3.0% of our IPO Price multiplied by the number of Shares underwritten.

4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 64,384,000 Issue Shares ("**Underwritten Shares**") as set out in Section 4.3.4.

The salient terms in the Underwriting Agreement are as follows:

Conditions precedent

1.1 The several obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon ("**Conditions Precedent**"):

(a) The acceptance of the listing proposal from Bursa Securities, the clearance of registrable Prospectus from SC and the lodgement of registrable Prospectus with the ROC respectively together with copies of all documents required under Section 154 of the Act prior to the issuance of the Prospectus to the public;

(b) The issuance of the Prospectus (including all procedures, requirements, letters and documents) required under Section 154 of the Act to the public within 3 months from the date thereof or such extension as consented by the Underwriter;

(c) There having been, as at any time thereafter up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of our Group (which in the reasonable opinion of the Underwriter is or will be material in the context of the issue of the Issue Shares) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement, if they are repeated on and as of the Closing Date;

(d) The issue, offer and subscription of the Issue Shares in accordance with the provisions thereof and the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);

(e) All necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect;

(f) The Underwriter having been satisfied that arrangements have been made by the Company to ensure payment of the expenses referred to in the Underwriting Agreement;

(g) The delivery to the Underwriter prior to the date of registration of the Prospectus of (i) a copy certified as a true copy by an authorised officer of our Company of all the resolutions of our Directors and our shareholders in general meeting approving the Underwriting Agreement, the Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of the Prospectus; (ii) a certificate dated the date of the Prospectus signed by duly authorised officers of our Company stating that, after having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in paragraph 1.1(c);

(h) The delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from our Board as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Group nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties contained in the Underwriting Agreement as though they have been given and/or made on such date; and

(i) The Underwriter being satisfied that our Company will, following completion of the Public Issue be admitted to the official list and its issued share capital listed and quoted on the ACE Market without undue delay.

1.2 In the event any of the Conditions Precedent are not satisfied by the Closing Date, the Underwriter shall thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to our Company not later than 3 Market Days after the Closing Date and upon such termination our Company and the Underwriter shall be released and discharged from their obligations save for our Company's obligations pursuant to the Underwriting Agreement and none of the parties shall have a claim against the other save for antecedent breaches by our Company and claims arising therefrom. Each party shall in such event return any and all monies paid to the other under the Underwriting Agreement within 72 hours of the receipt of such notice (except for monies paid by our Company for the payment of the expenses as provided in the Underwriting Agreement). The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.

Termination

1.3 Notwithstanding anything herein contained, the Underwriter may by notice in writing to our Company given at any time on or before the allotment and issuance of the Issue Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:

(a) There is any breach by our Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the 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 the Public Issue, or the distribution of the Issue Shares; or

(b) There is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group and the success of the Public Issue, or the distribution of the Issue Shares; or

(c) There shall have occurred, happened or come into effect in the opinion of the Underwriter any material and/or adverse change to the business or financial condition of our Group; or

(d) There shall have occurred, happened or come into effect any of the following circumstances:

(i) any material 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 both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

(ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of our Company and/or the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); which, (in the reasonable opinion of the 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 and the success of the Public Issue, or the distribution of our Issue Shares, or 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

(iii) the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:

(aa) on or after the date of the Underwriting Agreement; and

(bb) prior to the allotment of the Issue Shares,

lower than 90% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to such date and remains at or below that level for at least 3 Market Days; or

(iv) in the event of national disorder, outbreak of war or the declaration of a state of national emergency; or

(e) There is failure on the part of our Company to perform any of their respective obligations herein contained; or

(f) Any matter which arose immediately before the date of the Prospectus would have constituted a material and adverse omission in the context of the Public Issue; or

(g) Any event, act or omission which gives or is likely to give rise to any liability which will have a material and adverse effect on our Company pursuant to the indemnities contained under the Underwriting Agreement.

1.4 Upon such notice(s) being given, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of the Underwriting Agreement, except that our Company shall remain liable in respect of our obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination, for the payment of any taxes, duties or levies or such outstanding fees, and for any antecedent breach, and our undertaking to indemnify the Underwriter.

4.12 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, among others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

4. DETAILS OF OUR IPO (*Cont'd*)

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the Central Depositories Act and Depository Rules. We will not issue any share certificates to successful applicants.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the second Market Day following the transaction date.

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after IPO are set out below:

		[1]Before IPO				[2][3]After IPO			
		Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Ir. Dr. Lim	Malaysian	413,565,558	85.6	-	-	385,993,758	60.0	-	-
Ong Yong Chuan	Malaysian	69,301,042	14.4	-	-	64,680,842	10.0	[4]300,000	0.05

Notes:

(1) After completion of Acquisitions but before Public Issue and Offer for Sale.

(2) After Public Issue and Offer for Sale.

(3) Based on enlarged share capital of 643,822,000 Shares after IPO.

(4) Deemed interest by virtue of his spouse's interest pursuant to Section 8 of the Act and assuming his spouse will fully subscribe for her entitlements under the Pink Form Allocations.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Group.

5.1.2 Profiles of Promoters and/or substantial shareholders

The profiles of our Promoters who are also our Executive Directors are set out in Section 5.2.2.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.1.3 Changes in Promoters' and substantial shareholders' shareholdings

The changes in our Promoters and substantial shareholders' respective shareholdings since our incorporation are as follows:

	As at incorporation				[1]After Acquisitions				[2][3]After IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Name	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Ir. Dr. Lim	100	100.0	-	-	413,565,558	85.6	-	-	385,993,758	60.0	-	-
Ong Yong Chuan	-	-	-	-	69,301,042	14.4	-	-	64,680,842	10.0	[4]300,000	0.05

Notes:

(1) After completion of Acquisitions but before Public Issue and Offer for Sale.

(2) After Public Issue and Offer for Sale.

(3) Based on enlarged share capital of 643,822,000 Shares after IPO.

(4) Deemed interest by virtue of his spouse's interest pursuant to Section 8 of the Act and assuming his spouse will fully subscribe for her entitlements under the Pink Form Allocations.

5.1.4 Persons exercising control over the corporation

Save for our Promoters as set out in Section 5.1.1, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after IPO assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

		[1]Before IPO				[2][3]After IPO			
		Direct		Indirect		Direct		Indirect	
Name	Designation/ Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mohd Noor bin Setapa	Independent Non-Executive Chairman/ Malaysian	-	-	-	-	500,000	0.1	-	-
Datuk Ir. Dr. Lim	Group Managing Director/ Malaysian	413,565,558	85.6	-	-	385,993,758	60.0	-	-
Ong Yong Chuan	Executive Director/ Malaysian	69,301,042	14.4	-	-	64,680,842	10.0	[4]300,000	0.05
Lim Joo Seng	Finance Director/ Malaysian	-	-	-	-	2,000,000	0.3	-	-
Nor Azzam bin Abdul Jalil	Independent Non-Executive Director/ Malaysian	-	-	-	-	500,000	0.1	-	-
Yeoh Sheong Lee	Independent Non-Executive Director/ Malaysian	-	-	-	-	500,000	0.1	-	-

Notes:

(1) After completion of Acquisitions but before Public Issue and Offer for Sale.

(2) After Public Issue and Offer for Sale.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(3) Based on enlarged share capital of 643,822,000 Shares after IPO and assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

(4) Deemed interest by virtue of his spouse's interest pursuant to Section 8 of the Act and assuming his spouse will fully subscribe for her entitlements under the Pink Form Allocations.

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5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

Mohd Noor bin Setapa, a Malaysian male aged 57, is our Independent Non-Executive Chairman. He was appointed to our Board on 15 April 2021. He is a member of our Audit Committee, Remuneration Committee, Nominating Committee and Risk Management Committee.

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

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

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

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

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

He currently sits on the board of directors of several private companies.

Datuk Ir. Dr. Lim Jee Gin, a Malaysian male aged 47, is our Group Managing Director. He was the first Director of our Company since inception. He is a member of our Risk Management Committee. He is responsible for charting our business strategies and managing our corporate development.

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

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

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

He left in 2003 to join ABV Builders Sdn Bhd as a Construction Manager where he was responsible for the overall planning and coordination of construction activities as well as contract administration and execution of building and infrastructure construction projects. He left to join Nagano Holdings Sdn Bhd in 2004 as a Project Director and was responsible for the management of construction activities on project sites, including the planning and coordinating of project activities. He subsequently joined Nestcon Infra in 2009 as a 10% shareholder and served as a Director of the company, where he played an instrumental role in managing the business development and strategies of the company while overseeing its daily operations. He subsequently increased his shareholdings in the company to 51% in 2016 and was appointed as Managing Director of the company. He acquired the remaining 49% equity interest in Nestcon Infra in 2019.

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

Ong Yong Chuan, a Malaysian male aged 46, is our Executive Director. He was the first Director of our Company since inception. He is responsible for the overall implementation of our Group's strategic plans as well as the overall planning and business development activities of our Group's building construction projects. He graduated with a Bachelor of Engineering (Civil) (Hons) from Universiti Putra Malaysia in 1999.

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

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

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

Lim Joo Seng, a Malaysian female aged 47, is our Finance Director. She was appointed to our Board on 26 August 2020. She is responsible for our Group's financial functions, which include financial planning, review and reporting. She graduated from Macquarie University in Sydney, Australia with a Bachelor of Commerce (Accounting) in 1998. She is a member of the Certified Public Accountants of Australia and the Malaysian Institute of Accountants, both since 2003.

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

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

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

Nor Azzam bin Abdul Jalil, a Malaysian male aged 56, is our Independent Non-Executive Director. He was appointed to our Board on 26 August 2020, and is also the Chairman of our Remuneration Committee and Nominating Committee. He is also a member of our Audit Committee and Risk Management Committee.

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

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

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

He returned to Malaysia in 2005 to be Chief Executive Officer of Commerce Tijari Bank Berhad and was transferred to CIMB Bank Berhad as Regional Director IV (responsible for the South Selangor and Negeri Sembilan branches) in 2006. He was subsequently promoted to Senior Vice President/Regional Director I (responsible for the Kuala Lumpur branches) in 2010. He remained with the CIMB group and was promoted several times before leaving CIMB Bank Berhad in 2016. His last position with the bank was Acting Head of Consumer Sales and Distribution, responsible for driving retail banking and enterprise banking businesses. He joined Kuwait Finance House (Malaysia) Berhad in the same year as Deputy Chief Executive Officer, where he was responsible for assisting in driving the overall strategic direction of the bank's business.

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

He is currently Independent Non-Executive Chairman of 2 public listed companies, namely Revenue Group Berhad and Ocean Vantage Holdings Berhad. He also holds directorship in private limited company.

Yeoh Sheong Lee, a Malaysian male aged 47, is our Independent Non-Executive Director. He was appointed to our Board on 26 August 2020 and serves as Chairman of our Audit Committee and Risk Management Committee. He is also a member of our Remuneration Committee and Nominating Committee.

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

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

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.2.3 Principal business performed outside our Group

Save as disclosed below, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group in the past 5 years up to LPD:

(a) Mohd Noor bin Setapa

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Present involvement						
Mtrans Logistics & Transportation Solutions Sdn Bhd	Management consultancy activities, information technology service, activities and service activities incidental to land transportation	Non-Executive Director	22 May 2017	-	95.0	-
Terbitalam Sdn Bhd	Dormant, there is no future plan for the company	Non-Executive Director	7 November 1994	-	40.0	[1]60.0
Digital Integrity Inspection Master Sdn Bhd	Assets and portfolio management, activities of consultants other than architecture, engineering and management consultants	Non-Executive Director	5 October 2018	-	95.0	-
Past involvement						
Yusri Maju Sdn Bhd	Construction and engineering services, logistic supplier and distribution of petroleum products	Non-Executive Director	12 April 2020	28 September 2020	-	-
T7 Global Berhad	Investment holding company involved in the provision of support services to the oil and gas companies	Independent and Non-Executive Director	3 April 2019	30 June 2020	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Bumikomniaga (M) Sdn Bhd	Civil construction and logistic supplier	Non-Executive Director	3 October 2018	20 December 2019	-	-

Note:

(1) Deemed interested by virtue of the shareholdings of his siblings pursuant to Section 8 of the Act.

(b) Datuk Ir. Dr. Lim

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Present involvement						
Picoland Sdn Bhd	Property development	Non-Executive Director	10 April 2019	-	60.0	-
Midasdes Sdn Bhd	Property development	Non-Executive Director	28 June 2018	-	10.0	-
Nescaya EZ Scheme Sdn Bhd (formerly known as Nestcon Gemilang Sdn Bhd)	Money lending service	Non-Executive Director	15 September 2017	-	50.0	-
Nestcity Jaya Sdn Bhd (formerly known as Nestcon Jaya Sdn Bhd)	Investment holding but yet to commence business	Non-Executive Director	19 June 2017	-	60.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Nestcity Cemerlang Sdn Bhd (formerly known as Nestcon Cemerlang Sdn Bhd)	Property development	Non-Executive Director	19 June 2017	-	50.0	-
Nestcity Development Sdn Bhd (formerly known as Nestcon Development Sdn Bhd)	Property development	Non-Executive Director	27 April 2016	-	60.0	-
Nestcity Property Sdn Bhd (formerly known as Nestcon Holdings Sdn Bhd)	Property development	Non-Executive Director	3 March 2016	-	60.0	-
Nagano Development Sdn Bhd	Property development	Non-Executive Director	15 August 2005	3 September 2020	43.3	-
Jurutera Perunding Pesona Rekabina Sdn Bhd	Civil and structural engineering consultancy services	Non-Executive Director	25 November 2014	-	(1)70.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Past involvement						
Watch & You Sdn Bhd	Retail sale and repair of watches, clocks and its parts	Non-Executive Director	8 June 2016	23 July 2019	-	-
Dekairos Sdn Bhd	Retail sale and repair of watches, clocks and its parts	Non-Executive Director	17 October 2018	30 April 2019	-	-
Jurutera Perunding Alphareka Sdn Bhd	Civil and structural engineering consultancy services	Non-Executive Director	15 December 2010	9 January 2017	-	-
Nagano Holdings Sdn Bhd	Civil engineering and infrastructure works	Non-Executive Director	15 December 2004	7 February 2017	-	-
Perunding Ajjava Sdn Bhd	Civil and structural engineering consultancy services	Non-Executive Director	3 January 2018	21 May 2020	-	-
EPSB Utraco Nagano JV Sdn Bhd	Project management services	Non-Executive Director	17 July 2017	12 February 2020	-	-
Nescaya Etika Sdn Bhd (formerly known as Nestcon Engineering Sdn Bhd)	Construction of buildings	Non-Executive Director	3 March 2016	9 September 2020	-	-
Nestcon Hailong Sdn Bhd	Dissolved on 24 December 2020. Previously involved in assembling and erecting of prefabricated constructions and hiring of machineries	Non-Executive Director	16 November 2017	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Note:

(1) In the midst of disposing 30.0% shareholdings to a third party. As at LPD, the transfer of shares is yet to be effected.

(c) Ong Yong Chuan

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held Direct	Indirect
Present involvement						
Super Bolt Hardware Sdn Bhd	Trading in hardware and machinery	Non-Executive Director	25 October 2010	-	25.0	(3)75.0
Pembinaan Memang Cekap Sdn Bhd(1)	Contractor for general construction	Non-Executive Director	10 October 2011	-	51.0	-
BTH Technologies Sdn Bhd(1)	Precast contracting business, property investment and general trading	Non-Executive Director	4 March 2011	13 March 2014	30.0	-
Baxtium Construction Sdn Bhd(2)	Contracting business and general trading	Non-Executive Director	28 November 2008	13 March 2014	20.0	-
Binacon Ye Construction	Ceased operations	Partner	14 September 2005	-	-	-

Past involvement

Nil

Notes:

(1) In the midst of strike-off.

(2) Ong Yong Chuan had agreed vide a settlement agreement to dispose all his shares in the company to a third party and to resign as director of the company. As at LPD, the transfer of shares is yet to be completed/effected.

(3) Deemed interested by virtue of the shareholdings of his siblings and sister-in-law pursuant to Section 8 of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

(d) Lim Joo Seng

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held Direct	% of shareholdings held Indirect
Present involvement						
Nexion Technologies Limited	Information communication technology solutions provider focusing on cyber infrastructure and cyber security solutions	Independent Non-Executive Director	31 May 2017	-	-	-
Lynkmax Pte Ltd	Dormant, intended for the development of software and programming activities; IT consultancy	Non-Executive Director	13 December 2019	-	-	-

Past involvement

Nil

(e) Nor Azzam bin Abdul Jalil

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held Direct	% of shareholdings held Indirect
Present involvement						
Voxel Communications Sdn Bhd	Media content production	Executive Director	18 February 2019	-	-	-
Voxel Imaging Sdn Bhd	Media content production	Executive Director	30 November 2018	-	-	-
Revenue Group Berhad	Investment holding company involved in the provision of cashless payment solutions	Independent Non-Executive Chairman	1 December 2017	-	0.1	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Ocean Vantage Holdings Berhad	Investment holding company involved in the provision of support services to the oil and gas companies	Independent Non-Executive Chairman	14 August 2019	-	< 0.1	-
Past involvement						
Sunway South Quay Sdn Bhd	Real estate developer	Non-Independent Non-Executive Director	25 July 2016	8 February 2017	-	-
Flora Bliss Property Development Sdn Bhd	Acquiring, dealing and trading in real property	Non-Independent Non-Executive Director	25 July 2016	8 February 2017	-	-
Principal Asset Management Berhad	Investment management company	Non-Independent Non-Executive Director	4 December 2013	26 May 2016	-	-

(f) Yeoh Sheong Lee

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Present involvement						
Excells Sdn Bhd	Property investment	Executive Director	8 December 2017	-	50.0	-
Sierra Esa Sdn Bhd	Property investment	Executive Director	1 October 2010	-	25.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held	
					Direct	Indirect
Yeoh Eng Cheang Company Sdn Bhd	Cultivation of oil palms	Non-Executive Director	19 September 2020	-	1.2	-
Access Plantation Sdn Bhd	Investment holding and cultivation of oil palms	Non-Executive Director	29 September 2009	-	3.3	-
C & A Corporate Solutions Sdn Bhd	Investment holding and provision of corporate advisory services	Executive Director	30 December 2008	-	25.0	-
Setiawalk Commerce Sdn Bhd	Property investment	Executive Director	21 July 2008	-	20.0	-
C & A Tax Consultants Sdn Bhd	Provision of tax consultation and related services	Executive Director	1 July 2008	-	25.0	-
Qirin Holdings Sdn Bhd	Property investment	Executive Director	24 February 1996	-	26.2	-
Chew and Associates	Audit & tax services, consultancy and accounting services	Partner	1 July 2012	-	Not applicable	Not applicable
Bukit Kretam Sdn Bhd	Cultivation of oil palms	Non-Executive Director	19 September 2020	-	-	-

Past involvement

Nil

As at LPD, the directorships of our Directors in other companies are in compliance with the Listing Requirements.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Save as disclosed in Section 11, 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. The involvement of our Executive Directors in those business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.2.4 Directors remuneration and benefits

The remuneration of our Executive Directors including fees, salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. The Director's fees and any benefits payable to Directors shall be subject to annual approval by our shareholders pursuant to an ordinary resolution passed at a general meeting in accordance with our Constitution. Please refer to Section 15.3 for further details.

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 FYE 2020 and FYE 2021 are as follows:

	Directors' fees	Salaries	[1]Bonuses	Other emolument	Benefits-in-kind	Total
FYE 2020			RM'000			
Datuk Ir. Dr. Lim	-	742	-	93	17	852
Ong Yong Chuan	-	390	-	62	24	476
Lim Joo Seng	-	300	-	37	-	337
Nor Azzam bin Abdul Jalil	12	-	-	1	-	13
Yeoh Sheong Lee	12	-	-	1	-	13
Proposed for FYE 2021						
Mohd Noor bin Setapa	38	-	-	4	-	42
Datuk Ir. Dr. Lim	-	742	-	91	17	850
Ong Yong Chuan	-	460	-	56	24	540
Lim Joo Seng	-	300	-	37	-	337
Nor Azzam bin Abdul Jalil	42	-	-	4	-	46
Yeoh Sheong Lee	42	-	-	4	-	46

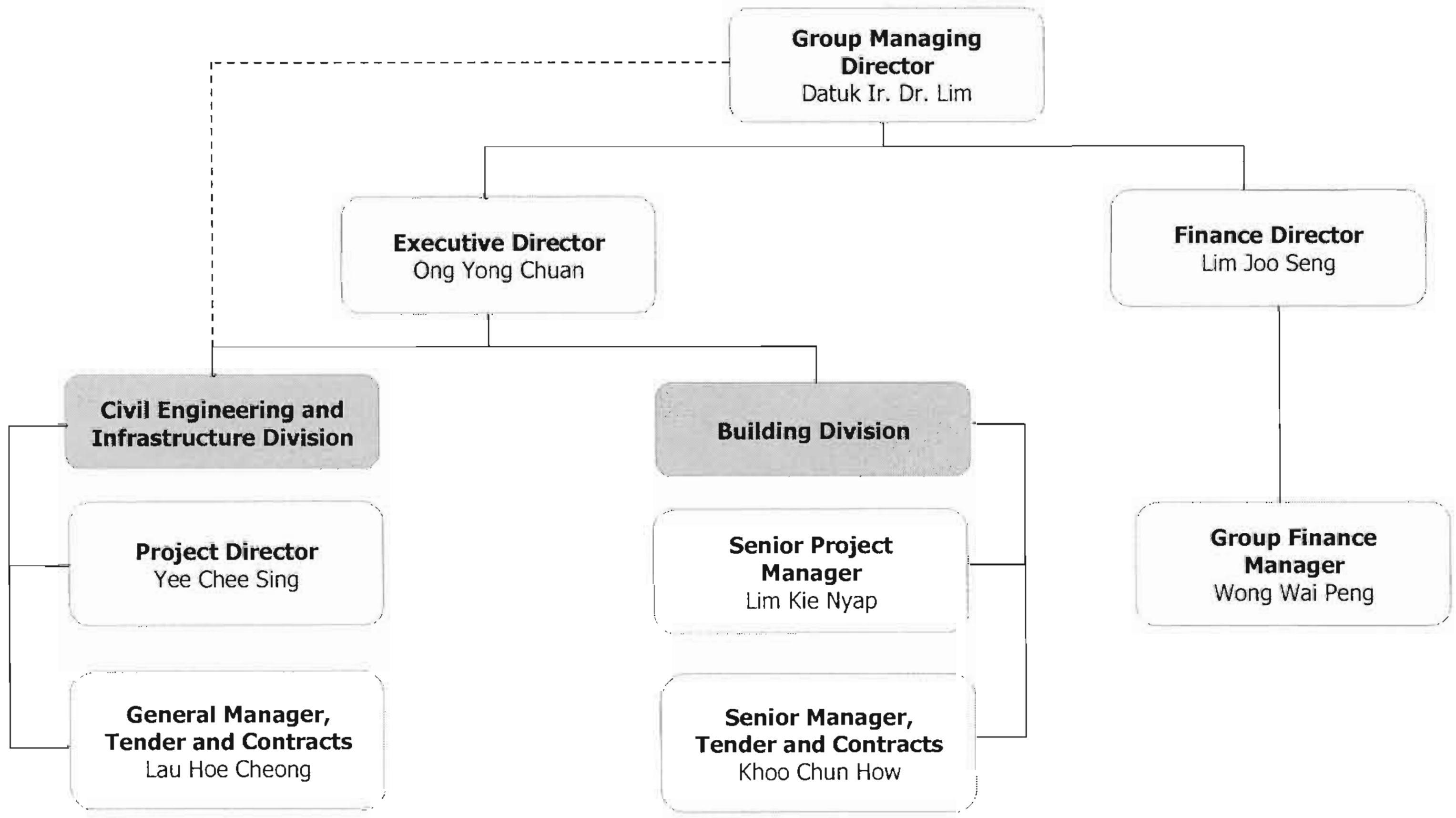
Note:

(1) The bonuses for FYE 2021 are not included. Such bonuses, if any, will be determined at a later date based on our Group's performance, and will be subject to recommendation of our Remuneration Committee and approval by our Board.

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management structure

The management reporting structure of our Group is as follows:



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.3.2 Key senior management shareholdings

The shareholdings of our key senior management in our Company before and after IPO assuming that they will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

		[(1)]Before IPO				[(2)(3)]After IPO			
		Direct		Indirect		Direct		Indirect	
Name	Designation/ Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Datuk Ir. Dr. Lim	Group Managing Director/ Malaysian	413,565,558	85.6	-	-	385,993,758	60.0	-	-
Ong Yong Chuan	Executive Director/ Malaysian	69,301,042	14.4	-	-	64,680,842	10.0	[(4)]300,000	0.05
Lim Joo Seng	Finance Director / Malaysian	-	-	-	-	2,000,000	0.3	-	-
Yee Chee Sing	Project Director/ Malaysian	-	-	-	-	1,000,000	0.2	-	-
Lau Hoe Cheong	General Manager of Tender and Contracts/ Malaysian	-	-	-	-	1,000,000	0.2	-	-
Khoo Chun How	Senior Manager of Tender and Contracts/ Malaysian	-	-	-	-	1,000,000	0.2	-	-
Lim Kie Nyap	Senior Project Manager/ Malaysian	-	-	-	-	1,000,000	0.2	-	-
Wong Wai Peng	Group Finance Manager/ Malaysian	-	-	-	-	1,000,000	0.2	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

Notes:

(1) After completion of Acquisitions but before Public Issue and Offer for Sale.

(2) After Public Issue and Offer for Sale.

(3) Based on enlarged share capital of 643,822,000 Shares after IPO.

(4) Deemed interest by virtue of his spouse's interest pursuant to Section 8 of the Act and assuming his spouse will fully subscribe for her entitlements under the Pink Form Allocations.

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5.3.3 Profiles of key senior management

Save for the profiles of Datuk Ir. Dr. Lim, Ong Yong Chuan and Lim Joo Seng, which are set out in Section 5.2.2, the profiles of the other key senior management of our Group are as follows:

Yee Chee Sing, a Malaysian male aged 40, is Project Director in our Civil Engineering and Infrastructure Division. He is primarily responsible for the planning, coordination, and management of our civil engineering and infrastructure constructions activities. He is also responsible for the implementation of our management systems on project sites. He graduated from Universiti Malaya with a Bachelor of Engineering (Civil) (Hons) in 2006.

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

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

Lau Hoe Cheong, a Malaysian male aged 46, is the General Manager of Tender and Contracts in our Civil Engineering and Infrastructure Division. He is responsible for overseeing the tendering and implementation of contract to ensure projects are carried out in accordance with our policies and procedures. He graduated from Universiti Sains Malaysia with a Bachelor of Science (Housing, Building and Planning) (Hons) in Construction Management in 1999.

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

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

Khoo Chun How, a Malaysian male aged 40, is the Senior Manager of Tender and Contracts under our Building Division. He is primarily responsible for overseeing the tendering and contract functions of our building construction projects. He obtained an Engineering Diploma (Quantity Surveying) from Federal Institute of Technology Malaysia in 2003.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

He began his career with Bina Goodyear Berhad in 2003 as an Assistant Contract Executive where he was responsible for preparation of progress report, quantity taking off as well as material ordering. He left in 2009 and joined Conlay Construction Sdn Bhd as a Contract Executive where he was responsible for the preparation of tender submissions and processing of payment applications. He left in 2010 and joined BTH Technologies Sdn Bhd in 2011 as a Project Manager where he was responsible for site management activities in relation to pre-cast construction method and costing analysis relating pre-cast components. He left in 2013 and joined Nestcon Builders in 2014 as a Contract Manager where he was responsible for contract tendering, main contract and subcontract management as well as main contract and subcontract claims. He was promoted to his current position in 2017.

Lim Kie Nyap, a Malaysian male aged 47, is the Senior Project Manager of our Building Division. He is primarily responsible for the planning, coordinating, and management of our building construction activities. He obtained a Diploma in Civil Engineering from Bedford Technical College, Malaysia in 1999.

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

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

In 2009, he left and joined Baxtium Construction Sdn Bhd as an Architecture Manager where he was involved in the planning and coordination of the company's construction activities. He subsequently left in 2013 and joined Nestcon Builders as a Project Manager. He was promoted to his current position in 2017.

Wong Wai Peng, a Malaysian female aged 47, is our Group Finance Manager. She is primarily responsible for our financial planning and review, and financial reporting functions.

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

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

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

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

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(Cont'd)*

5.3.4 Principal business performed outside our Group

Save as disclosed in Section 5.2.3 and below, none of our key senior management has any other principal directorship and/or principal business activities performed outside our Group as at LPD:

(a) Khoo Chun How

Company	Principal activities	Position held	Date of appointment	Date of cessation	% of shareholdings held Direct	% of shareholdings held Indirect
Present involvement						
Nil						
Past involvement						
CK Rekabena Sdn Bhd	Construction and renovation works	Director	6 August 2013	10 September 2020	-	-

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5.3.5 Key senior management remuneration and benefits

The remuneration of our key senior management including salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board.

The aggregate remuneration and material benefits-in-kind (in bands of RM50,000) paid and proposed to be paid to our key senior management (save for our Group Managing Director and Executive Directors which are disclosed in Section 5.2.4) for services rendered in all capacities to our Group for FYE 2020 and FYE 2021 are as follows:

	(1)Remuneration band	
	FYE 2020 (Paid)	**(2)FYE 2021 (Proposed)**
	RM'000	
Yee Chee Sing	200 – 250	200 – 250
Lau Hoe Cheong	200 – 250	200 – 250
Khoo Chun How	200 – 250	200 – 250
Lim Kie Nyap	250 – 300	250 – 300
Wong Wai Peng	150 – 200	200 – 250

Notes:

(1) The remuneration for key senior management includes salaries, bonuses, allowances and other emoluments.

(2) The bonuses for FYE 2021 are not included. Such bonuses, if any, will be determined at a later date based on our Group's performance, and will be subject to recommendation of our Remuneration Committee and approval by our Board.

5.4 BOARD PRACTICE

5.4.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

(a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;

(b) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;

(c) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;

(d) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance;

(e) To review and approve our annual business plans, financial statements and annual reports;

(f) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group;

(g) To ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;

(h) To ensure the integrity of our Group's financial and non-financial reporting; and

(i) To appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

In accordance with our Constitution, an election of Directors shall take place each year at the annual general meeting of our Company, where one-third of our Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office. This is provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

All our other Directors were only appointed to our Board in year 2020 and 2021, and have served for less than one year as at LPD. All our Directors will retire and be eligible for re-election at our forthcoming first annual general meeting. The members of our Board are set out in Section 5.2.

In view that revisions were made to the Malaysian Code on Corporate Governance on 28 April 2021, the Board will endeavour to comply with the revised recommendations by 31 December 2021.

5.4.2 Audit Committee

The main function of our Audit Committee is to assist our Board in fulfilling its responsibility on the oversight of the integrity of our Group's accounting and financial reporting matters. The Audit Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;

(b) To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

(c) To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;

(d) To consider the major findings of internal investigations and management's response; and

(e) To perform such other functions as may be requested by our Board.

The recommendations of our Audit Committee are subject to the approval of our Board.

The members of our Audit Committee as at LPD are as follows:

Name	Designation	Directorship
Yeoh Sheong Lee	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Nor Azzam bin Abdul Jalil	Member	Independent Non-Executive Director

Our Nominating Committee will review the composition, performance and effectiveness of our Audit Committee annually.

5.4.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to our Group's compensation, bonuses, incentives and benefits. The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) To recommend a remuneration framework for our Group Managing Director, Executive Directors and key senior management for our Board's approval to ensure corporate accountability and governance with respect to our Board's remuneration and compensation. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain Directors of calibre, and yet not excessive. The framework should cover all aspects of remuneration including Director's fee, salaries, allowance, bonuses, options and benefits-in-kind;

(b) To recommend specific remuneration packages for our Group Managing Director, Executive Directors and key senior management. The remuneration package should be structured such that it is competitive. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of our Board;

(c) To ensure the establishment of a formal and transparent procedure for developing policies, strategies and framework for the remuneration of our Group Managing Director, Executive Directors and key senior management;

(d) To implement the policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of our Board and key senior management; and

(e) To perform any other functions as defined by our Board.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at LPD are as follows:

Name	Designation	Directorship
Nor Azzam bin Abdul Jalil	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Yeoh Sheong Lee	Member	Independent Non-Executive Director

5.4.4 Nominating Committee

The Nominating Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) To assist our Board in ensuring that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

(b) To ensure appropriate selection criteria and processes and to identify and recommend to our Board, candidates for directorships of our Company and members of the relevant Board committees;

(c) To evaluate the effectiveness of our Board and the relevant Board committees;

(d) To establish the mechanisms for the formal assessment on the effectiveness of the Board as a whole and the effectiveness of each Director. The annual assessment to be conducted would be based on objective performance criteria approved by our Board;

(e) To ensure that all Directors receive appropriate continuous training in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements;

(f) To assist our Board to assess and evaluate circumstances where a Director's involvement outside our Group may give rise to a potential conflict of interest with our Group's businesses, upon receiving declaration of the same from our Director and thereafter, to inform our Audit Committee of the same. After deliberation with our Audit Committee, to recommend to our Board the necessary actions to be taken in circumstances where there is a conflict of interest; and

(g) To ensure an appropriate framework and succession planning for our Board, including our Group Managing Director and Executive Directors.

The recommendations of our Nominating Committee are subject to the approval of our Board.

The members of our Nominating Committee as at LPD are as follows:

Name	Designation	Directorship
Nor Azzam bin Abdul Jalil	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Yeoh Sheong Lee	Member	Independent Non-Executive Director

5.4.5 Risk Management Committee

Our Board has the overall responsibility for risk oversight and risk management within our Group. However, as a committee of our Board, our Risk Management Committee shall lead our strategic direction in the management of our business risks, including oversight on the establishment and implementation of a risk management framework and reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

The objectives of the framework are to ensure the provision of quality product and services and monitor the risk culture and processes throughout our Group to take advantage of opportunities while managing risks that may adversely affect our reputation and achievement of business objectives.

The duties and responsibilities as stated in the terms of reference of our Risk Management Committee include the following:

(a) To oversee and recommend the risk management policies and procedures of our Group;

(b) To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;

(c) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;

(d) To set reporting guidelines for management to report to the committee on the effectiveness of our Group's management of its business risks;

(e) To review the risk profile of our Group including all our subsidiaries and to evaluate the measures taken to mitigate the business risks;

(f) To review the adequacy of management response to issues identified in risk registers, ensuring that our risks are managed within our Group's risk appetite; and

(g) To oversee any investigation of activities which are within its terms of reference.

The recommendations of our Risk Management Committee are subject to the approval of our Board.

The members of our Risk Management Committee as at LPD are as follows:

Name	**Designation**	**Directorship**
Yeoh Sheong Lee	Chairman	Independent Non-Executive Director
Mohd Noor bin Setapa	Member	Independent Non-Executive Chairman
Nor Azzam bin Abdul Jalil	Member	Independent Non-Executive Director
Datuk Ir. Dr. Lim	Member	Group Managing Director

5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

There are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management as at LPD.

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at LPD, there are no existing or proposed service agreements entered into between our Company with any Directors; or between any companies within our Group with any key senior management.

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following events (whether within or outside Malaysia):

(a) In the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a Director or a member of key senior management;

(b) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) In the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(d) In the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;

(e) In the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;

(f) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;

(g) In the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or

(h) Has any unsatisfied judgment against him.

6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON NESTCON

Our Company was incorporated in Malaysia under the Act on 10 March 2020 as a private limited company under the name Nestcon Sdn Bhd. On 3 September 2020, we converted into a public limited company and adopted our present name.

Our Company is principally an investment holding company. There has been no material change in the manner in which we conduct our business or activities since our incorporation and up to LPD.

Please refer to Section 7.1 for detailed information of our Group's history.

As at LPD, our share capital is RM57,943,976.66 comprising 482,866,600 Shares, all of which have been issued and fully paid-up. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration/ Types of issue	Cumulative share capital
			RM
10 March 2020	100	RM10.00/ Subscribers' shares	10.00
25 August 2020	667	RM66.70/ Cash	76.70
18 March 2021	482,865,833	RM57,943,899.96/ Consideration for the Acquisitions	57,943,976.66

As at LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will increase to RM103,011,489 comprising 643,822,000 Shares.

6.2 DETAILS OF OUR ACQUISITIONS

In preparation for our Listing, we have undertaken the Acquisitions. On 28 August 2020, we entered into the following agreements:

(a) Conditional sale and purchase agreement with Datuk Ir. Dr. Lim and Ong Yong Chuan to acquire the entire equity interest in Nestcon Builders comprising 2,400,000 ordinary shares for a purchase consideration of RM33.26 million which was satisfied by the issuance of 277,204,167 new Shares to Datuk Ir. Dr. Lim and Ong Yong Chuan at an issue price of RM0.12 each; and

(b) Conditional sale and purchase agreement with Datuk Ir. Dr. Lim to acquire the entire equity interest in Nestcon Infra comprising 8,000,000 ordinary shares for a purchase consideration of RM24.68 million which was satisfied by the issuance of 205,661,666 new Shares to Datuk Ir. Dr. Lim at an issue price of RM0.12 each.

Details of the vendors of Nestcon Builders and Nestcon Infra and the number of Shares issued to them under the Acquisitions are as follows:

Nestcon Builders Vendors	**Shareholdings in Nestcon Builders**		**Purchase consideration**	**No. of Shares issued**
	No. of shares acquired	**% of share capital**	**RM**	
Datuk Ir. Dr. Lim	1,800,000	75.0	24,948,375.00	207,903,125
Ong Yong Chuan	600,000	25.0	8,316,125.04	69,301,042
	2,400,000	**100.0**	**33,264,500.04**	**277,204,167**

The purchase consideration for the Acquisition of Nestcon Builders of RM33.26 million was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Nestcon Builders as at 31 December 2019 of RM33.26 million.

Nestcon Infra Vendor	**Shareholdings in Nestcon Infra**		**Purchase consideration**	**No. of Shares issued**
	No. of shares acquired	**% of share capital**	**RM**	
Datuk Ir. Dr. Lim	8,000,000	100.0	24,679,399.92	205,661,666

The purchase consideration for the Acquisition of Nestcon Infra of RM24.68 million was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Nestcon Infra as at 31 December 2019 of RM24.68 million.

The Acquisitions were completed on 18 March 2021. Thereafter, Nestcon Builders and Nestcon Infra became our wholly-owned subsidiaries.

The new Shares issued under the Acquisitions rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

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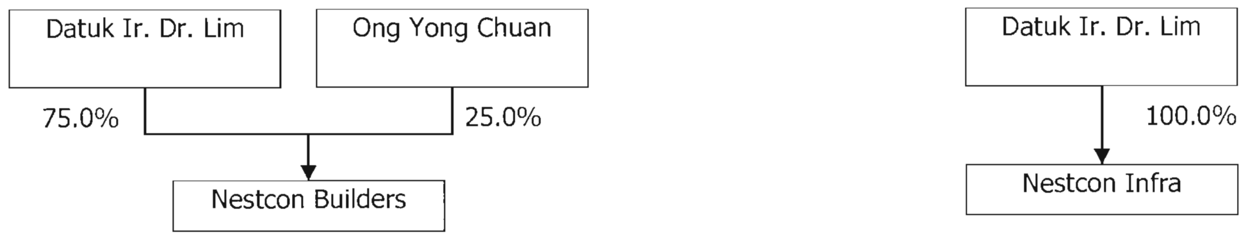
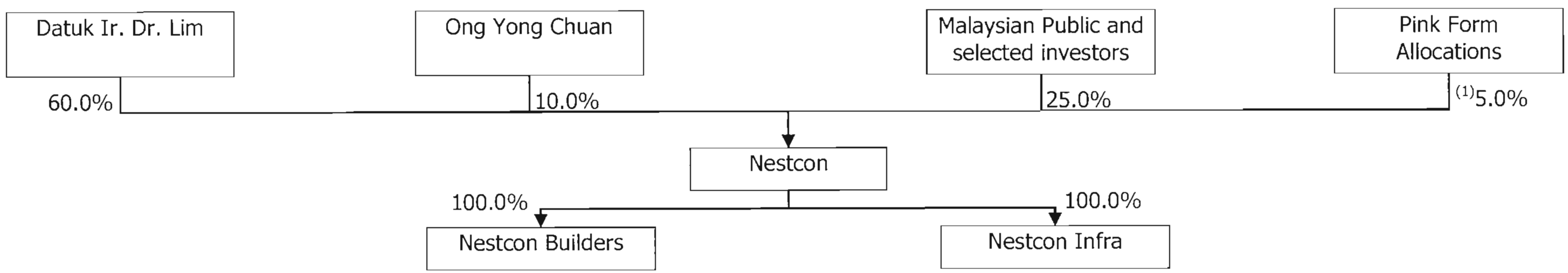
6. INFORMATION ON OUR GROUP (*Cont'd*)

6.3 GROUP STRUCTURE

Before Acquisitions



After Acquisitions and IPO



Note:

(1) Assuming that all our eligible Directors, employees and persons who have contributed to the success of our Group will subscribe for the Pink Form Allocations.

6. INFORMATION ON OUR GROUP (*Cont'd*)

6.4 SUBSIDIARIES AND ASSOCIATED COMPANIES

As at LPD, we do not have any associated companies. Details of our subsidiaries are summarised as follows:

Company	Date/ Place of incorporation	Principal place of business	Issued share capital	Effective equity interest	Principal activities
			RM	%	
Nestcon Builders	24 September 2013/ Malaysia	Malaysia	2,400,000	100.0	Construction works
Nestcon Infra	22 August 2001/ Malaysia	Malaysia	8,000,000	100.0	Construction works

Details of the share capital of our subsidiaries are set out in Section 15.2.

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6.5 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) entered into by our Group for FYE 2017 to FYE 2020 and up to LPD:

(a) Sale and purchase agreement dated 3 October 2018 between Nestcon Infra and Nagano Holdings Sdn Bhd for the purchase of one unit of double-storey superlink terrace house identified as Parcel No. 199 Type A erected on land held under Geran No. 337336, Lot 38963, Parcel No. 199, Town of Kundang, District of Gombak, State of Selangor for a total cash consideration of RM768,000.00, which was completed on 27 March 2019;

(b) Sale and purchase agreement dated 14 November 2018 between Nestcon Infra and Goh Zheng Cong and Tee Siew Mun for the disposal of one unit of double-storey town house bearing address E-06-2, Primer Garden Town Villas, Jalan Hijau Pelangi U9/55, Cahaya SPK, Seksyen U9, 40150 Shah Alam, Selangor for a cash consideration of RM820,000.00, which was completed on 28 March 2019;

(c) Sale and purchase agreement dated 11 July 2019 between Nestcon Infra and Xtreme Meridian Sdn Bhd for the purchase of one unit of serviced apartment identified as B-11-07 together with accessory parcels distinguished as car park no. Podium 3, 99, 99A & 110 erected on land held under Master Title No. Hakmilik Pajakan Mukim 6395, Lot 18152, Section 2 in the Town of Ulu Kelang, District of Gombak, State of Selangor for a total cash consideration of RM1,532,720.00;

(d) Sale and purchase agreement dated 28 August 2020 between our Company, Datuk Ir. Dr. Lim and Ong Yong Chuan for the Acquisition of Nestcon Builders, which was completed on 18 March 2021;

(e) Sale and purchase agreement dated 28 August 2020 between our Company and Datuk Ir. Dr. Lim for the Acquisition of Nestcon Infra, which was completed on 18 March 2021;

(f) Sale and purchase agreement dated 30 April 2021 between Nestcon Infra and Wong Ee Lyn for the disposal of one unit of double-storey town house bearing address E-06-1, Primer Garden Town Villas, Jalan Hijau Pelangi U9/55, Cahaya SPK, Seksyen U9, 40150 Shah Alam, Selangor for a cash consideration of RM680,000.00, which is pending completion; and

(g) Underwriting agreement dated 3 May 2021 between our Company and M&A Securities for the underwriting of 64,384,000 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares underwritten.

6.6 PUBLIC TAKE-OVERS

During the last financial year and the current financial year/period up to LPD, there were:

(a) No public take-over offers by third parties in respect of our Shares; and

(b) No public take-over offers by our Company in respect of other companies' shares.

6. INFORMATION ON OUR GROUP (*Cont'd*)

6.7 MAJOR APPROVALS AND LICENCES

As at LPD, there are no other major approvals, major licences and permits issued to our Group in order for us to carry out our operations other than those disclosed below:

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
(a)	Nestcon Builders	CIDB	14 October 2020/ 10 October 2023	Certificate of Registration in respect of Grade G7 for categories of: B04 (Construction work on building) B14 (Paint works) B24 (Building maintenance works) CE01 (Road and pavement construction) CE21 (Civil engineering construction) CE34 (Pre-cast concrete installation work) CE36 (Earthworks)	(i) The certificate is non-transferable; (ii) The contractor shall not participate in any tender or execute any construction after the expiry of this certificate and until such time this certificate has been renewed; (iii) The contractor shall not undertake any construction project which exceeds the value of the construction project specified under the registration grade and shall not execute any construction project which is outside the registered category; and (iv) The contractor shall apply for renewal of registration within 60 days prior to the expiry date as specified in this certificate.	Complied

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
				M15 (Miscellaneous mechanical equipment		
(b)	Nestcon Builders	CIDB	14 October 2020/ 10 October 2023	Certificate of Governmental Procurement Works ("**SPKK Certificate**") in respect of Grade G7 for categories of: B (Buildings) CE (Civil engineering) ME (Mechanical and Electrical)	(i) This certificate shall not be used as a license for commencing or undertaking any construction works. This certificate can only be used for government procurement works or other government agency procurement works; (ii) This certificate should be provided together with Certificate of Registration when the company tenders for government contracts; (iii) This certificate should be renewed together with the Certificate of Registration issued by CIDB; (iv) The company or certificate holder shall not lend, lease, transfer, allow or cause this certificate to be used by other persons not named in this certificate for the purpose of obtaining government procurement works; and (v) The contractor shall not be involved in tender or any construction works after the expiry of this certificate and until such time this certificate has been renewed.	Complied
(c)	Nestcon Infra	CIDB	9 March 2021/ 21 January 2024	Certificate of Registration in respect of Grade G7 for categories of:	(i) The certificate is non-transferrable; (ii) The contractor shall not participate in any tender or execute any construction after the expiry of this certificate and until such time this certificate has been renewed;	Complied

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
				B04 (Construction work on building) CE01 (Road and pavement construction) CE02 (Bridges and jetties construction) CE03 (Marine structures) CE06 (Drainage, irrigation and flood control structures) CE08 (Slope protection and stabilisation system) CE10 (Piling work) CE13 (Signage installation) CE21 (Civil engineering construction) CE34 (Pre-cast concrete installation work)	(iii) The contractor shall not undertake any construction project which exceeds the value of the construction project specified under the registration grade and shall not execute any construction project which is outside the registered category; and (iv) The contractor shall apply for renewal of registration within 60 days prior to the expiry date as specified in this certificate.	

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ Licences	Equity and/or major conditions imposed	Compliance status
				CE36 (Earthworks) M15 (Miscellaneous mechanical equipment)		
(d)	Nestcon Infra	CIDB	13 November 2017/ 3 December 2020[(1)]	SPKK Certificate in respect of Grade G7 for categories of: B (Buildings) CE (Civil engineering) ME (Mechanical and Electrical)	(i) This certificate shall not be used as a license for commencing or undertaking any construction works. This certificate can only be used for government procurement works or other government agency procurement works; (ii) This certificate should be provided together with Certificate of Registration when the company tenders for government contracts; (iii) This certificate should be renewed together with the Certificate of Registration issued by CIDB; (iv) The company or certificate holder shall not lend, lease, transfer, allow or cause this certificate to be used by other persons not named in this certificate for the purpose of obtaining government procurement works; and (v) The contractor shall not be involved in tender or any construction works after the expiry of this certificate and until such time this certificate has been renewed	Complied

6. INFORMATION ON OUR GROUP (*Cont'd*)

Note:

(1) CIDB had on 28 January 2021 notified Nestcon Infra that, for SPKK Certificate, shareholders of a company which possesses SPKK Certificate cannot own more than 5% equity interest in any other company which possesses the same. In view that SPKK Certificate had been renewed for Nestcon Builders (refer item (b)) and due to Datuk Ir. Dr. Lim's interest in Nestcon Infra and Nestcon Builders, the SPKK Certificate for Nestcon Infra will not be renewed. We had on 26 February 2021 and 7 April 2021 appealed to CIDB for the renewal application.

We only require SPKK Certificate to tender for construction works directly awarded by the Government. As none of our ongoing order book and tender book consists of any such projects as at LPD, the non-renewal of said SPKK Certificate will not have a material impact on our business. In the event our appeal to renew the said SPKK Certificate is unsuccessful and we wish to tender for a feasible project directly awarded by the Government, we will use Nestcon Builders's SPKK Certificate for the tender submission.

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6. INFORMATION ON OUR GROUP (*Cont'd*)

6.8 TRADEMARKS

Save as disclosed below, our Group does not own any other trademark:

Trademark	Application No.	Class/ Description	Status
NESTCON	2017066125	Class 37/ Property development services (construction); building construction; construction services; construction consultation; civil engineering construction; building repair and maintenance.	[1]Registered

Note:

(1) This trademark was registered by Nestcon Holdings Sdn Bhd. Nestcon Holdings Sdn Bhd had agreed to transfer all rights, title and interests of the said trademark to Nestcon Infra vide a deed of assignment dated 10 June 2020 ("**DOA**"). Nestcon Infra had on 10 September 2020 submitted such DOA to the Intellectual Property Corporation of Malaysia ("**MYIPO**") to register the title of the Trademark under Nestcon Infra's name. As at LPD, although such registration by Nestcon Infra is yet to be effected by MYIPO, however, Nestcon Infra, at all material times upon the date of the DOA, shall be the owner of the trademark and Nestcon Holdings Sdn Bhd is merely holding the trademark as a bare trustee for the benefit of Nestcon Infra.

6. INFORMATION ON OUR GROUP (*Cont'd*)

6.9 PROPERTY, PLANT AND EQUIPMENT

6.9.1 Properties owned by our Group

The properties mentioned below were purchased from our existing and prospective clients for investment purposes while taking it as an opportunity to build good client relationship by supporting their property development projects. We finance such purchases through our internally generated funds and bank borrowings. All of the said properties are currently vacant. Our strategy for investment properties is to dispose them in the secondary market or to deploy them for our own use such as for staff accommodation, if suitable. The timing for the disposal of these properties will depend on the market value of the investment properties, impact of real properties gain tax and whether we are able to identify suitable purchasers for these properties. Pending the disposal of such properties, we may rent those properties out to suitable tenants. As at LPD, we have engaged property agents to dispose all of the investment properties stated below.

We remain focused on our business as a construction company. It is not our Company's policy to acquire properties in our client's property development projects as a precondition for securing contracts. As such, moving forward, we only intend to purchase additional properties if we require them as offices or site offices for our ongoing and/or future projects. We will take into consideration our cash flow and gearing position, loan commitments, sufficiency of working capital as well as business expansion plans before purchasing such properties.

The summary of the material properties owned by our Group as at LPD are set out below:

No.	Postal address	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	Beneficial owner	Land area/ Built-up area	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 December 2020
				sq ft			RM'000
(a)	B-11-07, Block B Astoria Ampang Jalan Ampang 50450 Kuala Lumpur[(1)]	Serviced apartment on 11th floor/ Investment property/ Leasehold of 99 years expiring on 25 January 2094 (Approximately 73 remaining years as at LPD)/ Building	Nestcon Infra	Not applicable/ 1,505	11 July 2019/ 11 September 2020	Charged to Public Bank Berhad	1,145

6. INFORMATION ON OUR GROUP (*Cont'd*)

No.	Postal address	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	Beneficial owner	Land area/ Built-up area	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 December 2020
				sq ft			RM'000
(b)	E-06-1, Primer Garden Town Villas Jalan Hijau Pelangi U9/55 Cahaya SPK, Seksyen U9 40150 Shah Alam Selangor[(1)]	Ground and first floor (lower unit) of a 3-storey town house/ Investment property/ Leasehold of 99 years expiring on 27 December 2108 (Approximately 88 remaining years as at LPD)/ Building	Nestcon Infra	2,343/ 2,305	22 October 2012/ 9 October 2015	Nil	652
(c)	G-01-1, Primer Garden Town Villas Jalan Hijau Pelangi U9/55 Cahaya SPK, Seksyen U9 40150 Shah Alam Selangor[(1)]	Ground and first floor (lower unit) of a 3-storey town house/ Investment property/ Leasehold of 99 years expiring on 27 December 2108 (Approximately 88 remaining years as at LPD)/ Building	Nestcon Infra	2,343/ 2,305	22 October 2012/ 9 October 2015	Nil	721
(d)	13, Jalan Anggun 3C Taman Anggun 3 Rawang -Kota Emerald 48000 Selangor[(2)]	Double-storey superlink terrace house/ Investment property/ Freehold/ Building	Nestcon Infra	1,540/ 2,200	3 October 2018/ 22 November 2016	Nil	742
						Total	**3,260**

Notes:

(1) Acquired from our previous clients and was financed via borrowings and internally generated funds.
(2) Acquired from our prospective client and was financed fully via internally generated funds.

6. INFORMATION ON OUR GROUP (*Cont'd*)

The properties owned by our Group are not in breach of any other land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD.

6.9.2 Properties rented by our Group

The summary of the material properties rented by our Group as at LPD are set out below:

No.	Address	Landlord/ Tenant	Description/ Existing use	Built-up area	Period of tenancy / Rental per annum
				sq ft	
(a)	2-8, Jalan Kenari 13B Bandar Puchong Jaya 47170 Puchong Selangor	Lee Kok Lee and Liew Wei Kuen/ Nestcon Infra	2nd floor office unit located in a 3-storey shop offices/ Nestcon Infra's office	1,400	1 April 2020 to 30 March 2023/ 18,000
(b)	2nd & 3rd Floor of 1350 A, B, Lagenda 48 Taman Lagenda Putra 81000 Kulai Johor	Ng Wai Kay @ Ng Chee Kong/ Nestcon Infra	2nd and 3rd floor office unit located in a 3-storey shop offices/ Nestcon Infra's office	2,200	19 March 2021 to 18 March 2022/ 14,400
(c)	2-10, Jalan Kenari 13B Bandar Puchong Jaya 47170 Puchong Selangor	Datuk Ir. Dr. Lim/ Nestcon Builders	2nd floor office unit located in a 3-storey shop offices/ Nestcon Builders' office	2,800	1 January 2020 to 31 December 2021/ 60,000
(d)	1-8, Jalan Kenari 13B Bandar Puchong Jaya 47170 Puchong Selangor	Lee Kok Lee and Liew Wei Kuen/ Nestcon Infra	1st floor office unit located in a 3-storey shop offices/ Nestcon Infra's office	1,400	1 July 2020 to 30 June 2023/ 20,400

6. INFORMATION ON OUR GROUP (*Cont'd*)

In addition to the above, our Group has also rented vacant land for temporary storage of machineries and residential properties to accommodate our workers near our project sites. Such properties are rented on a temporary basis until completion of the respective project.

The properties rented by our Group are not in breach of any other land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD.

6.9.3 Acquisition of properties

Save as disclosed below, we have not entered into any agreements to acquire any properties during FYE 2017 to FYE 2020 and up to LPD:

No.	Date of purchase	Postal address/ Title No.	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)	Land area/ Built-up area	Date of CCC	Audited NBV as at 31 December 2020	Purchase value
				sq ft		RM'000	RM'000
(a)	3 October 2018	13, Jalan Anggun 3C Taman Anggun 3 Rawang -Kota Emerald 48000 Selangor/ Geran No. 337336 Lot 38963, Parcel No. 199 Town of Kundang District of Gombak, Selangor	Double-storey superlink terrace house/ Investment property/ Freehold/ Building	1,540/ 2,200	22 November 2016	742	768
(b)	11 July 2019	B-11-07, Block B Astoria Ampang Jalan Ampang 50450 Kuala Lumpur/ Pajakan Mukim 6395 Lot 18152, Section 2 Town of Ulu Kelang District of Gombak, Selangor	Serviced apartment on 11th floor/ Investment property/ Leasehold of 99 years expiring on 25 January 2094 (Approximately 73 remaining years as at LPD)/ Building	Not applicable/ 1,505	11 September 2020	1,145	1,533

6.9.4 Regulatory requirements and environmental issues

As at LPD, there are no laws, regulations, rules or requirements governing the conduct of our business and environmental issues which may materially affect our Group's business or operations.

6.9.5 Material capital expenditures and divestitures

(a) Material capital expenditures

Save for the expenditures disclosed below, there were no other capital expenditures (including interests in other corporations) made by us for FYE 2017 to FYE 2020 and up to LPD:

	At cost				
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**	**1 January 2021 up to LPD**
Capital expenditures	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Land and building	318	556	196	854	45
Building equipment	3,327	4,311	3,393	1,279	-
Computer and software	64	96	47	158	27
Furniture and fittings	90	34	8	42	3
Machinery	5,760	24,535	5,417	5,456	1,637
Motor vehicles	7,207	5,069	4,224	2,708	-
Office equipment	95	105	20	53	13
Renovation	401	61	-	27	-
Tools and equipment	256	451	1,548	349	18
Investment properties	-	-	1,267	651	-
	17,518	**35,218**	**16,120**	**11,577**	**1,743**

The above capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures, particularly for building equipment and machineries are mainly driven by the construction projects awarded to us during the relevant year as well as for replacement purposes. Our primary capital expenditures are associated with the acquisition of building equipment and machineries for use in our construction projects, such as tower cranes, material handling equipment, backhoes, scaffolding, aluminium formworks, bulldozers and excavators and other related construction equipment and machineries required by our projects.

The purchase of motor vehicles is for day-to-day use in our project sites.

(b) Material capital divestitures

Save for the divestitures disclosed below, there were no other capital divestitures (including interests in other corporations) made by us for FYE 2017 to FYE 2020 and up to LPD:

	At cost				
	FYE 2017	FYE 2018	FYE 2019	FYE 2020	1 January 2021 up to LPD
Capital divestitures	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Machinery	50	452	1,090	-	432
Motor vehicles	-	-	815	70	-
Tools and equipment	-	15	-	-	92
Investment properties[(1)]	-	-	745	-	-
Building equipment	-	-	-	454	-
	50	**467**	**2,650**	**524**	**524**

Note:

(1) Refers to disposal of one unit of double-storey town house bearing address E-06-2, Primer Garden Town Villas, Jalan Hijau Pelangi U9/55, Cahaya SPK, Seksyen U9, 40150 Shah Alam, Selangor to third parties with a loss on disposal of RM0.02 million.

The above capital divestitures were carried out in the ordinary course of business as part of our periodic review of our fixed asset register to identify and eliminate those assets which have been fully depreciated or no longer in use or obsolete or surpassed their useful lives.

Moving forward, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9.1, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

6.9.6 Material plans to construct, expand or improve our facilities

Save for the proposed utilisation of proceeds from our IPO vis-à-vis our proposed capital expenditure as set out in Section 4.9.1, our Group does not have any other immediate plans to construct, expand and improve our facilities as at LPD.

6.9.7 Material construction equipment and machineries

Our Group's material construction equipment and machineries are as follows:

No.	Material construction equipment and machineries	Year of manufacture	Units	Audited NBV as at 31 December 2020
				RM'000
1.	Excavator – used for excavation activities	2013 to 2019	46	10,242

No.	Material construction equipment and machineries	Year of manufacture	Units	Audited NBV as at 31 December 2020
				RM'000
2.	Aluminium formwork system – a temporary mould to cast permanent concrete structure	2014 to 2020	(1)-	8,675
3.	Offroad mining dump truck - to transport/ haul large volumes of loose materials within the construction sites	2013 to 2020	61	(2) 5,407
4.	Luffing crane – to lift and load building materials	2014 to 2020	7	7,991
5.	Off road articulated dump truck – to transport/ haul mass volumes of loose materials over rough terrain within the construction sites	2004 to 2013	29	4,312
6.	Bulldozer – to spread soil, rough grading and site clearing	1987 to 2018	23	3,635
7.	Self-climbing platform – temporary working platform and temporary protection for external façade during construction activities	2018	2	3,039
8.	Roller – compact soil, gravel, concrete, or asphalt in the construction of roads and foundations	2004 to 2018	22	2,677
9.	Static pump – pump ready-mixed concrete to work areas	2014 to 2019	16	1,849
10.	Licensed tipper truck – to transport/ haul large volumes of loose materials within the construction sites and across construction sites including public roads	2018 to 2019	14	1,882
11.	Grader and back pusher – to create smooth and level surface and maintenance of road	1997 to 2019	12	2,047
12.	Placing boom – to place fresh concrete into all required horizontal and vertical reinforced concrete structure element	2017 to 2019	5	1,527
13.	Passenger hoist – to carry employees between floors	2017 to 2020	4	776

No.	Material construction equipment and machineries	Year of manufacture	Units	Audited NBV as at 31 December 2020
				RM'000
14.	Diesel forklift – lift and transport construction materials from one place to another	2016 to 2019	8	354
15.	Jumpform (steel formwork system) – a temporary mould to cast permanent concrete structure	2015	6	151
16.	Air compressor airman – convert normal air into a denser, high pressurised air	2017 to 2020	7	269
17.	Backhoe – transport, load and unload construction materials and excavation activities	2016	1	128
18.	Screed pump – mix and deliver fine concrete or blended mix of cement, sand and additives	2018	2	100
	Total			**55,061**

Notes:

(1) Unquantifiable in units.

(2) Included in the category of motor vehicles within our property, plant and equipment.

All the equipment and machineries listed above are currently being utilised for our ongoing projects.

6.10 EMPLOYEES

As at LPD, we have a total workforce of 392 employees, which consists of permanent and contractual employees. Local employees accounted for approximately 75.5% of total workforce while the remaining 24.5% were foreign workers. All of our foreign workers have valid working permits.

We are dependent on foreign workers for our building division. However, our Group has taken mitigation measures to reduce the dependency on foreign workers by sub-letting trade works to subcontractors particularly those which require specialised trade works. Our future plan of establishing an IBS facility will also reduce our dependency on foreign workers as IBS is less labour intensive. Please refer to Section 9.2.3 for the risk of our dependency on foreign workers.

6. INFORMATION ON OUR GROUP (*Cont'd*)

The breakdown of our employees as at 31 December 2020 and LPD are as follows:

	No. of employees	
Category of employees	**As at 31 December 2020**	**As at LPD**
Director	3	3
Key management	5	5
Project division [(1)]	227	221
Contract and tenders and procurement divisions	17	17
Quality assurance, health, safety and environment divisions	17	16
Finance, accounting, human resource and administration divisions	16	15
Surveying division	9	9
Machinery division	10	10
	304	296
Construction site worker [(2)]	104	96
	408	392

Notes:

(1) Consists of 153 and 141 contractual employees as at 31 December 2020 and as at LPD respectively. The contractual employees are mainly machine operators that we engage on a contract to contract basis. The building division and civil engineering and infrastructure division operate independently. As at LPD, there has been no secondment or interchange of project staff between the 2 divisions. However, if required, the project staff under the building division can be seconded to the civil engineering and infrastructure division and vice versa.

(2) All our construction site workers are foreign workers.

There were no significant changes in the number of employees of our Group for FYE 2020 and up to LPD.

None of our employees belong to any labour union and as at LPD, there is no material dispute between our management and our employees. Over FYE 2017 to FYE 2020, there has not been any incident of work stoppage or labour disputes that has materially affected our operations.

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7. BUSINESS OVERVIEW

7.1 OUR HISTORY

Our history began in August 2001 when Nestcon Infra was incorporated as a private limited company under the name of Triple Seven Club Sdn Bhd by Yap Kim Long and Yap Sin Fatt. On 28 September 2006, Triple Seven Club Sdn Bhd changed its name to Nagano Bumi Sdn Bhd. In 2009, the company undertook a reorganisation of its shareholding structure in tandem with its proposed commencement of business. Under the reorganisation, Yap Sin Fatt exited as shareholder and director, and our Group Managing Director, Datuk Ir. Dr. Lim together with Muhammad Johan bin Johari and Hakimi bin Hanapi became shareholders of Nagano Bumi Sdn Bhd and were concurrently appointed as directors of the company alongside Yap Kim Long.

Leveraging on their experience in the construction industry, Nagano Bumi Sdn Bhd commenced operations in 2010 when it secured a RM12.0 million project to provide earthworks and infrastructure works for a state sponsored agropolitan project, a poverty eradication initiative based on the agriculture platform under East Coast Economic Region.

Nestcon Infra's key focus was in providing earthworks and infrastructure services during this period. In 2013, as part of the company's overall strategy to venture into building construction, Nestcon Builders was incorporated by Yap Kim Long, Yap Sin Fatt, Datuk Ir. Dr. Lim (our Group Managing Director) and Ong Yong Chuan (our Executive Director) as a private limited company under the name Nagano Builders Sdn Bhd. Nestcon Builders secured its first building construction project in 2014 for the Petalz Project where it was appointed as contractor for earthworks, piling, retaining wall and basement structural works. Nestcon Builders was subsequently awarded as main contractor for the Petalz Project in the same year, for the construction of main building and external works of the project. In 2015, Nestcon Builders further expanded its building construction portfolio to include industrial buildings when it was awarded as main contractor for the Nouvelle Industrial Park Project for the piling and construction of main building and external works of the project.

Between 2016 and 2019, both Nestcon Infra and Nestcon Builders undertook a shareholding reorganisation. Yap Kim Long, Muhammad Johan bin Johari and Hakimi bin Hanapi exited as shareholders and directors of Nestcon Infra in 2016 to pursue their personal interests and Datuk Ir. Dr. Lim and Yap Sin Fatt took over their shareholdings, resulting in their respective shareholdings of 51.0% and 49.0% in the company. Yap Sin Fatt subsequently also exited as shareholder and director of Nestcon Infra in 2019 to pursue his personal interest, and his shareholdings of 49.0% were taken over by Datuk Ir. Dr. Lim. Yap Sin Fatt was mainly involved in the supervision of earthworks project and also in charge of our construction machineries and equipment. Our key senior management was able to assume his role and his exit did not significantly adversely impact our Group.

In 2016, Yap Kim Long and Yap Sin Fatt also exited as shareholders and directors of Nestcon Builders to pursue their personal interests in other fields and their shareholdings were taken over by Datuk Ir. Dr. Lim resulting in his shareholdings of 75.0% in the company. In line with the said restructuring, our subsidiaries rebranded and adopted their current names, Nestcon Infra and Nestcon Builders, in June 2017 and July 2017, respectively.

In 2017, Nestcon Infra expanded its infrastructure portfolio to include land reclamation works when it secured the Melaka Gateway Project with contract value of RM11.70 million.

In 2018, Nestcon Infra was awarded a contract by Client A to provide earthworks and related works for an identified section of the Railway Project. In 2019, Nestcon Infra further secured two additional contracts from Client A to provide earthworks and related works for two other identified sections of the Railway Project. Since the commencement of the Railway Project up to FYE 2019, we have recognised total revenue of RM172.86 million in respect of Client A.

Nestcon Builders on the other hand, continued to focus in high-rise building construction and secured three projects between 2018 and 2019 as main contractor, namely the Grand Project, Scarletz Project and Panorama Project with total contract value of approximately RM400.00 million.

In 2019, Nestcon Infra further expanded its infrastructure portfolio when it secured an elevated roadworks project with contract value of RM85.00 million for a new mixed development in Damansara Perdana, Selangor which consist of serviced apartments, shopping mall, hotel and office blocks. Within the same development, Nestcon Builders was awarded as main contractor for two of the serviced apartments (Mossaz and Paxtonz Project), which is our largest high-rise building construction project up to LPD with contract sum of RM400.00 million.

Throughout the years, our Group has put in place quality management to assist us in our quality control and assurance measures. In 2017, both Nestcon Infra's and Nestcon Builders' quality management system and occupational health and safety management system, were assessed and accredited with the ISO 9001:2015, and OHSAS 18001:2007 under the scope "building construction works, civil engineering works and infrastructure works", respectively by AGM Certification Sdn Bhd. Both companies' environmental management systems were also assessed and accredited with ISO 14001:2015 in 2017 by AGM Certification Sdn Bhd under the scope "civil engineering works and infrastructure works". In 2020, our anti-bribery management system was assessed and accredited with the ISO 37001:2016, IDT certification as part of our efforts to prevent, detect and respond to bribery and comply with anti-bribery laws.

7.2 KEY ACHIEVEMENTS AND MILESTONES

Year	Achievement or Milestones
2010	• Nestcon Infra commenced operations and secured its first earthworks and infrastructure works contract
2013	• Nestcon Builders was incorporated to venture into the building construction segment
2014	• Nestcon Builders secured its first building construction contract, namely the Petalz Project
2017	• Nestcon Builders and Nestcon Infra were rebranded and adopted their current names • Nestcon Infra expanded its infrastructure portfolio to include land reclamation works via its appointment for the Melaka Gateway Project

Year	Achievement or Milestones
	• Nestcon Builders' and Nestcon Infra's integrated management system were assessed and accredited with ISO 9001:2015, OHSAS 18001:2007 (updated to ISO 45001:2018 in year 2020) and ISO 14001:2015 certifications by AGM Certification Sdn Bhd
2018	• Nestcon Infra secured a contract to provide earthworks and related works for an identified section of the Railway Project
	• Nestcon Builders secured contracts for three high-rise building construction, namely the Grand Project, Scarletz Project and Panorama Project
2019	• Nestcon Infra further secured two additional contracts to provide earthworks and related works for two identified sections of the Railway Project
	• Nestcon Infra expanded its infrastructure construction portfolio to include elevated roadworks
	• Nestcon Builders was awarded its largest high-rise building construction contract up to LPD with contract sum of RM400.00 million (Mossaz and Paxtonz Project)
2020	• Our anti-bribery management systems were assessed and accredited with ISO 37001:2016, IDT certification by AGM Certification Sdn Bhd

We have also received a number of awards from organisations and associations in the industry. In 2017, Nestcon Builders was recognised as one of the Top 10 Achievers during the SME100 Awards under the Fast Moving Companies organised by SME & Entrepreneurship Magazine, while Nestcon Infra received the Asia Pacific Entrepreneur Excellence Award in 2018 from Enterprise Asia. In addition, Nestcon Builders also received the Golden Bull Award under the Super Golden Bull category in 2019.

7.3 DESCRIPTION OF OUR BUSINESS

Our Group is principally involved in the provision of construction services throughout Malaysia. Our subsidiaries, Nestcon Infra focuses on civil engineering and infrastructure works whilst Nestcon Builders, focuses on building construction works. Construction services for buildings are categorised under the real estate construction market while construction services for civil engineering and infrastructure works are categorised under the civil engineering and specialised trade works market. We are capable of constructing:

(a) various types of buildings such as residential, commercial, industrial and leisure properties; and

(b) various types of civil engineering and infrastructure works such as earthworks, roadworks and drainage works.

We participate in construction projects either as a main contractor and/ or principal works contractor or a subcontractor. The roles performed by us as a main contractor or a principal works contractor are similar, distinguishable by the awarding party whereupon main contractor is appointed by the project owner/ project developer whereas principal works contractor is appointed by a project's appointed main contractor. As a subcontractor, we are appointed by the main contractor to undertake specific trade works of a project.

As a main contractor, we play a central role in planning and managing the overall construction project to ensure timely completion of projects within the contract period. Over the course of our operations, we engage and coordinate with suppliers and subcontractors to provide materials and selected services that include supply and installation of construction materials, deployment of construction machinery and equipment, and managing and supervising other specialised trade works such as M&E engineering works, piping and plumbing works, external painting works, water proofing works and other related works.

As a main contractor, our roles and responsibilities are vital in ensuring timely delivery of construction projects while achieving the required standards of quality, environmental, safety and excellence to the project owner/ project developer which can be summarised as follows:

(a) Plan, manage, supervise and monitor the entire construction activities;

(b) Coordinate and develop shop drawings from construction drawings provided by project consultants;

(c) Deliver value engineering solutions and cost-benefit analyses;

(d) Prepare master works programme, which details the required work activities, sequence and project milestones according to the project requirements and specifications;

(e) Deploy construction machinery and equipment to the project sites and procure construction materials in accordance with project milestones and requirements;

(f) Engage, manage and supervise subcontractors to perform respective portions of the construction works;

(g) Prepare and implement the project QESH plan according to the construction progress; and

(h) Perform final inspection, testing and commissioning jointly with the clients' representatives at the end of the construction works and handing over to our client prior to demobilising resources from the project site.

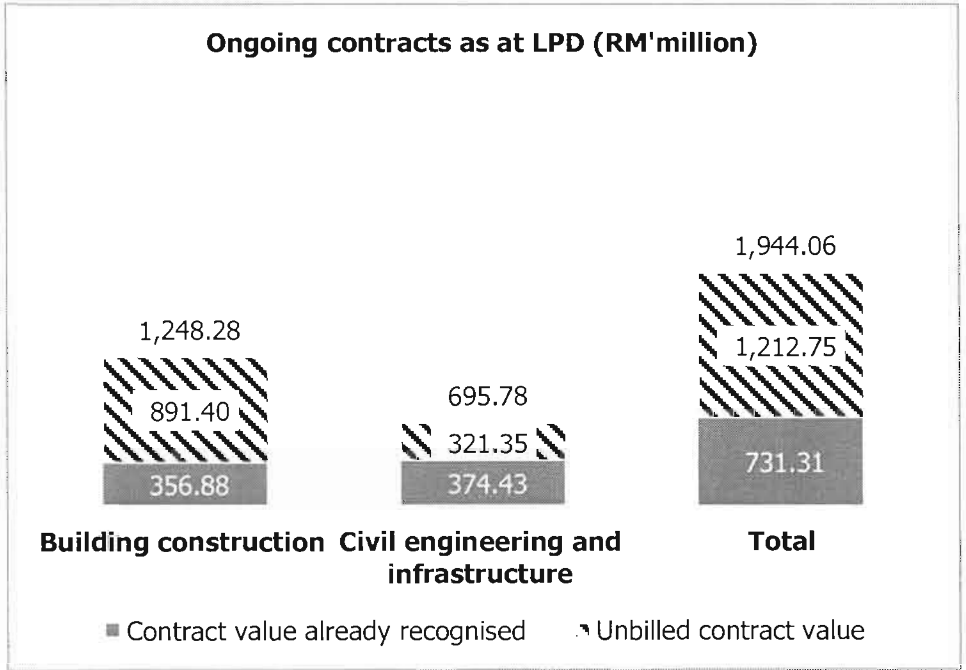
We generally participate in construction projects via tenders at the invitation of project owners/ property developers and project consultants.

In addition to construction services, we provide rental of construction machineries and equipment to our clients when there is available capacity. These machineries and equipment are rented based on prevailing market rates and the rental tenure may be on daily or monthly basis based on the availability of our machineries and equipment when not being used at our project sites. Further details on our Group's material machineries and equipment are set out in Section 6.9.7.

7.3.1 Ongoing and completed contracts

(a) Ongoing contracts

As at LPD, we have 22 ongoing contracts. The total value of our ongoing contracts and unbilled contract value as at LPD are illustrated in the chart below:



We have 7 ongoing contracts in our building construction segment as at LPD. 2 of our ongoing contracts, with combined contract value of RM583.00 million were awarded by the EXSIM Group. The other 5 contracts in our building construction segment were awarded by 5 other clients. We are the main contractor for all of our ongoing building construction contracts, except for 2 which we are the principal works contractor.

For our civil engineering and infrastructure segment, we have 15 ongoing contracts, of which 3 contracts (Railway Project) were awarded by Client A and 5 contracts were awarded by EXSIM Group. The other 7 contracts in our civil engineering and infrastructure segment were awarded by 5 other clients, and mainly relates to provision of earthworks and related works with contract period ranging from 2 to 38 months. We are the main contractor for 6 of our ongoing civil engineering and infrastructure contract and principal works contractor for 3 of our ongoing civil engineering and infrastructure contract and subcontractor for the remaining contracts.

Based on the above, the total contract value of our ongoing contracts undertaken for EXSIM Group (namely Scarletz Project, Mossaz and Paxtonz Project, 1 elevated roadworks project at Damansara Perdana, Selangor, 1 rock blasting and other general works project at Damansara Perdana, Selangor, 2 road, drainage and water reticulation works projects at Damansara Perdana, Selangor and 1 rock stabilisation works project at Damansara Perdana, Selangor) amounted to RM750.72 million, of which RM562.98 million remain unbilled as at LPD. This unbilled portion represents 46.4% of our total unbilled order book of RM1,212.75 million as at LPD.

7. BUSINESS OVERVIEW *(Cont'd)*

We are unable to disclose the details and value of the contracts from Client A, however, as at LPD, the unbilled portion of the contracts represents 7.8% of our total unbilled order book of RM1,212.75 million as at LPD.

We set out in the table below ongoing projects with contract value above RM50.00 million:

	Project details/ Brief work scope	Role	Client name	Contract sum / Unbilled contract value as at LPD (RM'000)	Contract period	DLP	Stage of completion (% as at LPD)
	Building construction segment						
(i)	Grand Project/ Construction of one block of 21-storey commercial building (315 units) of SOHO and one block of 14-storey commercial building (168 units) of SOHO, with other relevant facilities	Main contractor	Mediaraya Sdn Bhd	124,133/ 8,728	May 2018 to [3]March 2021	30 months from issuance of CPC	93.0
(ii)	Scarletz Project/ Construction of one 50-storey commercial office building (604 units) and one 38-storey commercial office building (604 units) with other relevant facilities	Main contractor	EXSIM Group	583,000/ 435,769	February 2019 to November 2021	27 months from issuance of CPC	50.5
(iii)	Mossaz and Paxtonz Project/ Construction of one block of 5-storey office building and one block of 40-storey office building (1,117 units) and one block of 23-storey office building (844 units)	Main contractor			June 2019 to October 2022	27 months from the issuance of CPC	13.7

7. BUSINESS OVERVIEW *(Cont'd)*

	Project details/ Brief work scope	Role	Client name	Contract sum / Unbilled contract value as at LPD (RM'000)	Contract period	DLP	Stage of completion (% as at LPD)
(iv)	Panorama Project/ Construction of one block of 30-storey service apartments (237 units) and one block of 30-storey serviced apartments (236 units) with other relevant facilities	Principal works contractor	LLC Infra Sdn Bhd (a subsidiary of LLC Berhad)	96,500/ 38,147	July 2019 to December 2021	24 months from the date of CPC or the date of CMGD, whichever is later	60.5
(v)	Kuchai Sentral Project/ Construction of one block of 39 storey serviced apartments (408 units) and one block of 43-storey serviced apartments (526 units) with other relevant facilities	Main contractor	Altimas Sdn Bhd (a subsidiary of Menta Land Sdn Bhd)	241,800/ 221,030	April 2020 to March 2023	24 months from the issuance of CPC	8.6
(vi)	Embayu Project/ Construction of 2 blocks of 15-storey apartments (455 units) and 1 block of 10-storey apartments (195 units) with relevant facilities in Shah Alam, Selangor known as *Embayu Damansara West*	Main contractor	Premier Baycity Sdn Bhd (an indirect subsidiary of PRG Holdings Berhad)	113,750/ 98,656	August 2020 to June 2022	30 months from the issuance of CPC	13.3
(vii)	Nest2 Project/ Construction of one block of apartment suite (346 units), hotel (72 units) and 37-storey office building with other relevant facilities	Principal works contractor	Nescaya Etika Sdn Bhd (formerly known as Nestcon Engineering Sdn Bhd)	89,097/ 89,070	June 2021 to August 2023	24 months from the issuance of CPC	[2]-

	Project details/ Brief work scope	Role	Client name	Contract sum / Unbilled contract value as at LPD (RM'000)	Contract period	DLP	Stage of completion (% as at LPD)
	Civil engineering and infrastructure segment						
(i)	Railway Project/ Earthworks and related works for 3 identified sections of a railway project in Johor	Principal works contractor	Client A	(1)-	Between May 2018 to July 2021 for different sections of the project	(1)-	(1)-
(ii)	Provision of elevated roadworks at Damansara Perdana, Selangor	Main contractor	EXSIM Group	85,000/ 46,697	(4)March 2019 to August 2021	12 months from the issuance of the CPC	(4)45.1

Notes:

(1) We are unable to disclose details of the project based due to the confidentiality agreement with Client A.

(2) Representing less than 1.0%. As at LPD, we have started preliminary works such as setting up of tower crane foundation.

(3) We have submitted the application to extend the completion date of the project due to the MCO. Please refer to Section 7.8 for further details.

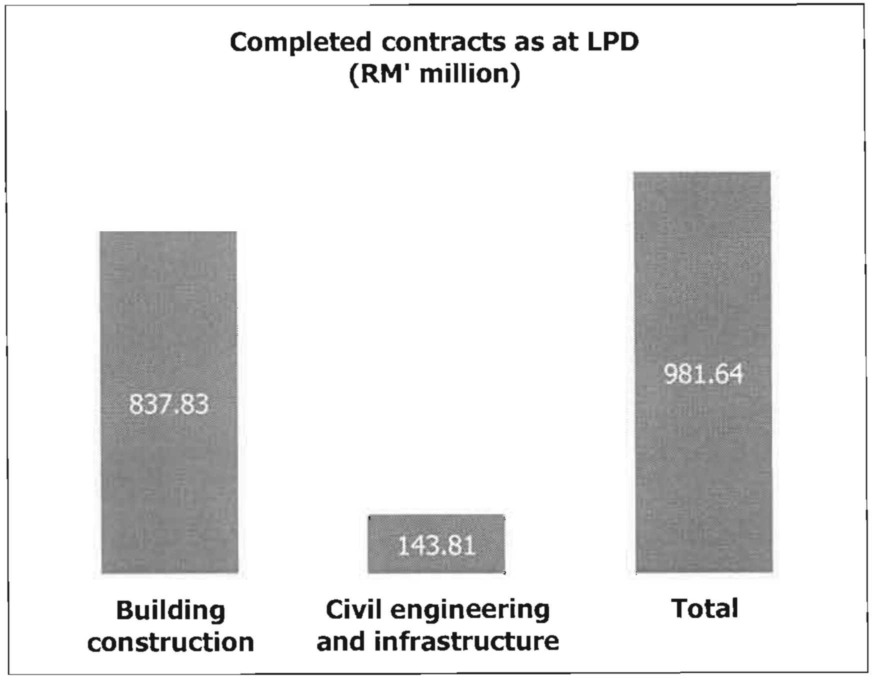
(4) This project consists of construction works for 4 roads, i.e., Road 1, Road 5, Road 6 and Road 7. As at LPD, the Group's construction works were for Road 5 and Road 6 only as the client required a refinement of design for Road 1 and Road 7 and the relevant authorities' approval has yet to be obtained by our client.

There was a delay in work progress on Road 5 and Road 6 due to delay in obtaining approval from the relevant authorities to commence the construction works and unforeseen underground utilities works such as TNB cable, sewer pipe and gas pipe which required relocation prior to commencement of the Group's construction works. Extension of time has been granted by client to hand over Road 5 and Road 6 to 30 August 2021. Nevertheless, the overall completion for the entire project has been tentatively agreed at 18 months upon finalisation of design and approval obtained from the relevant authorities for Road 1 and Road 7.

7. BUSINESS OVERVIEW *(Cont'd)*

(b) Completed contracts

Since the commencement of our business in 2010, we have completed over 20 contracts, both in the civil engineering and infrastructure segment as well as the building construction segment. The total value of these completed contracts since our commencement up to LPD is illustrated in the chart below:



We completed 8 contracts in our building construction segment, of which 6 contracts were awarded by EXSIM Group. The other 2 contracts in our building construction segment were awarded by 2 other clients. We were the main contractor for all the completed building construction contracts.

For our civil engineering and infrastructure segment, we completed 21 contracts, of which 2 contracts were awarded by EXSIM Group. The other 19 contracts in our civil engineering and infrastructure segment were awarded by 13 other clients. We were mainly principal works contractor for these completed contracts.

The total contract value of the completed contracts undertaken for EXSIM Group, amounted to RM705.17 million and they are mainly attributable from the Petalz Project, Nouvelle Industrial Park Project and Nidoz Project. This represented 71.8% of our total revenue from our completed contracts.

7. BUSINESS OVERVIEW *(Cont'd)*

We set out in the table below completed projects with contract value above RM10.00 million:

	Project details / Brief work scope	Client name	Contract sum (RM'000)	DLP	Status of retention sum
	Building construction segment				
(i)	Petalz Project :				
	• Provision of earthworks, piling, retaining wall and basement structural works	EXSIM Group	705,171	June 2017	Released
	• Construction of 2 blocks of 29-storey serviced apartment building (565 units), 2-storey basement car parking, 7-storey carparking podium with other relevant facilities			November 2019	Released
(ii)	Nouvelle Industrial Park Project:				
	• Provision of piling works			November 2017	Released
	• Construction of 47 units of terraced factory units with other relevant facilities			May 2019	Released
(iii)	Nidoz Project				
	• Construction of two blocks of 41-storey apartments (651 units) with other relevant facilities			September 2022	Pending release of the remaining 50.0% of the retention sum upon expiry of DLP
	• Provision of earthworks and piling			March 2020	Released
(iv)	Nest Residence Project [(1)]	Nagano Development Sdn Bhd	162,561	August 2021	Pending release of the remaining 50.0% of the retention sum upon expiry of DLP

7. BUSINESS OVERVIEW *(Cont'd)*

	Project details / Brief work scope	Client name	Contract sum (RM'000)	DLP	Status of retention sum
	Civil engineering and infrastructure segment				
(i)	Site cleaning and earthworks, temporary platform, flood mitigation and surface water drainage for Besut Setiu Agropolitian located at Panchur Bederu, Terengganu	Pembinaan SPK Sdn Bhd	12,014	July 2013	Released
(ii)	Provision of earthworks at Cahaya SPK, Shah Alam, Selangor	S.J. Properties Sdn Bhd	11,355	November 2014	Released
(iii)	Nidoz Project - Provision of earthworks and retaining wall	EXSIM Group	36,441	December 2018	Released
(iv)	Provision of earthworks for power plant located at Alor Gajah, Melaka	Loh & Loh Constructions Sdn Bhd (a subsidiary of LLC Berhad)	15,547	October 2019	Released

Note:

(1) Nest Residence Project was awarded by our related party, Nagano Development Sdn Bhd. The GP margin for our Group's building segment for FYE 2017 to FYE 2020 ranged from 7.1% to 10.1%. We were able to earn a higher GP margin (15.4%) for this project due to our proposed value engineering which reduced construction cost and resulted in higher profit earned.

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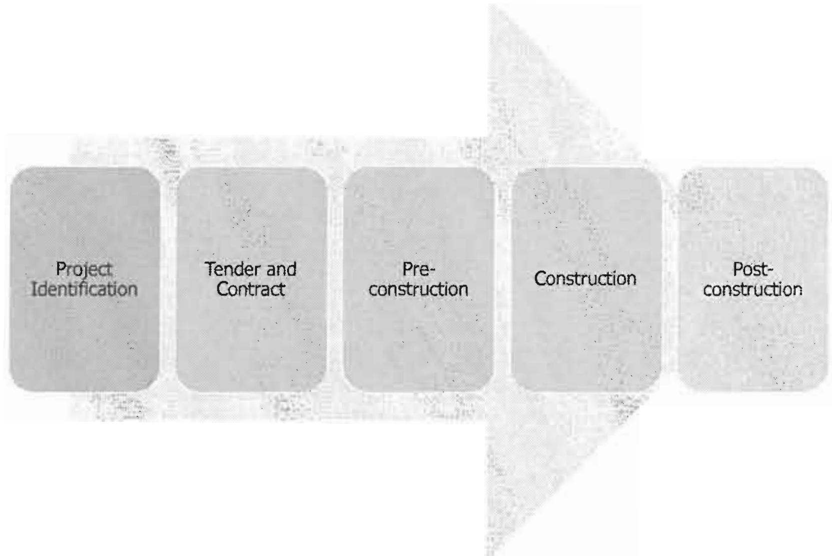
7.4 BUSINESS PROCESSES

The following details our Group's business process:



(a) Project identification

We identify potential projects via recommendations from project consultants such as architects and engineers, referrals and direct invitations from our existing and past clients and other property owners/ property developers, as well as through tender notices. We will conduct preliminary evaluations on the potential projects, focusing on the financial feasibility of the project such as capital requirements and potential returns of the project, risk assessment on the financial position of the potential clients, prospects of the projects based on current market demand, the required and availability of skilled resources for the project as well as our current order book.

(b) Tender and contract

If a project is deemed feasible, our Tender and Contracts Department will liaise with the client to prepare a tender proposal based on the project and clients' requirements and is responsible for the overall costing of the tender submission. On selected tender projects, we are also required to complete pre-tender qualification exercises for clients to evaluate our previous track record and financial strengths.

A tender bond will be submitted together with the tender documents to provide assurance to client that we will undertake the contract in accordance with the terms and conditions as stipulated in the tender documents upon client's acceptance of our proposal.

Our finalised proposal will have to be approved internally by our Tender Committee before submission of the tender to the client.

Once a tender is submitted, there will be a tender interview with the client to present our proposal and provide clarification on technical details and commercial terms. The tender interview also allows us to gather additional information on our clients' specific needs and requirements. We may submit revised tenders if there are changes made and/or new requirements being imposed following the tender interview. If a tender proposal is successful, the client will issue a letter of award followed by signing of contract.

Upon acceptance of the letter of award from client, the tender bond will be returned to us in exchange for a performance bond. A performance bond provides assurance to our client on the satisfactory completion of the project by our Group. On the contrary, clients may call on our tender bond if we reject the project after the client has issued a letter of award to us.

(c) Pre-construction

Upon acceptance of the letter of award from client, our Tender and Contracts Department will provide the project information and client's requirements to our project team to initiate project planning.

Our project team will be led by a project head, who will be responsible for assembling a project team that will be overseeing the management and implementation of various aspects of the project such as construction activities, quality control, QESH, time management, project costing, procurement of construction materials, supplies and deployment of construction machinery and equipment and appointment of subcontractors.

During the pre-construction phase, detailed planning activities will be carried out with the clients and various consultants to ensure successful delivery of the project, where we will be involved in planning various activities such as value engineering (where applicable), preparation of project QESH plan, project quality plan, Master Work Programme, project budget, construction methodology and resource planning. Our project team will also be responsible for preparing, submitting and procuring relevant permits and/or approvals from the local authorities and will be based on the project site throughout the construction period.

Our project team will also work together with our Tender and Contracts Department who is responsible for sourcing quotations from our approved suppliers as well as making purchases from the project's nominated supplier, if required. They are also responsible for sourcing and appointing subcontractors that meet our Group's technical, cost and quality requirements from our list of approved subcontractors to provide relevant services such as the supply and installation of construction materials, machinery and equipment as well as other specialised trade works.

During the subcontracting process, apart from nominated subcontractors, our Tender and Contracts Department will source and call for tenders and/or quotations from our approved subcontractors list. Upon closing of the tender and/or submission of quotations, our Tender and Contracts Department will evaluate the received quotations and tenders. Tender clarifications and negotiations will be carried out to identify subcontractors that meet our requirements, prior to issuance of letter of award and/or work order to the appointed subcontractors.

(d) Construction

Construction activities will commence once we have obtained the required permits and/or approvals from the local authorities, where applicable.

We act as the project manager and we are also involved in the construction activities. Our project team will prepare a Master Work Programme which sets out the work activities, sequence of works and project milestones in accordance with the project requirements and specifications. Individual tasks in the project will be closely monitored in accordance with the timeline planned in the Master Work Programme. This is to avoid idling and to ensure construction works are completed in a timely manner. Technical support and value engineering input, where applicable, will be provided to our clients to ensure cost effectiveness and methodology efficiency and time saving. Our project team will coordinate and develop shop drawings and coordination drawings from construction drawings provided by project consultants.

During the construction works phase, our project team will act as the site administrator to devise a detailed construction plan, monitor, coordinate and supervise subcontractors, liaise with clients and consultants as well as monitoring of construction activities. Our project team will set up site facilities, plan, coordinate and allocate required resources, enforce site management system throughout the project and liaise with the utility provider for utility relocation and temporary diversion, where applicable. We carry out the construction of building structural works using reinforced concrete such as foundations, slabs, beams and walls for the building segment. We also undertake civil engineering and infrastructure works such as land clearing, earthworks, bridges, retaining wall and drainage works.

Depending on the nature of project, availability of our internal resources, cost effectiveness, licensing/ specialist requirements, we will outsource certain parts of the construction works to subcontractors. During the construction stage, the activities that are subcontracted to third parties mainly includes M&E engineering works, piping and plumbing works, external painting works and water proofing works.

Our Tender and Contracts Department will coordinate the transfer and/or procurement of the construction machinery and equipment and construction materials needed for the project site in accordance with the Master Work Programme. Construction works that are done on-site are evaluated by our Tender and Contracts Department as part of interim claims progress and to resolve contractual issues, if any.

Our QESH Department will monitor the project site to ensure compliance to the quality, site occupational safety, health and environmental guidelines and policies. Project QESH plan will be developed and implemented in accordance with the construction activities to ensure safe working environment.

We normally receive monthly progress payments from our clients throughout the duration of the project. Our Tender and Contracts Department will submit monthly progress claim for the project to our client's consultants. Thereafter, we will arrange a project site visit together with the consultants to verify the progress of the construction work done. Based on the joint assessment, the consultants will proceed to prepare the monthly progress claim recommendation based on the amount of work done. Such recommendation will be submitted to the project architect and/or superintendent officer and/or client for certification of payment.

Similarly, our subcontractors are also required to submit their progress claims to us for our evaluation on monthly basis. Upon verification of the subcontractor's progress claim against the actual work done, progress certificate will be issued. Payment to subcontractors will be processed and released based on the subcontractors' contracts and/or work orders.

Our project team will carry out final inspection, testing and commissioning jointly with the client or client's representatives at the end of construction works and prior to demobilising resources from the project site. The project head will be responsible for compiling the final project documentation which includes as-built drawings, warranties, and operations and maintenance manuals and a complete set of final project documents will be presented to the client during the handover stage by our project team. Once this is completed, the project team will proceed to demobilise resources from the project site in stages.

A project is deemed completed when the project's architect issues a CPC. Upon receipt of the CPC, we will submit our final claim which will include claim for partial release of the retention sum, with the remaining retention sum to be retained by our client until the end of the DLP and upon issuance of CMGD.

(e) Post construction

The DLP will commence upon receipt of the CPC. Upon receiving reports on defects identified by the client during the DLP, our Project Department will, at the subcontractors' costs, investigate and rectify the issues by getting our respective subcontractors to rectify the defects. The duration of the DLP generally ranges from 12 to 27 months after the issuance of the CPC.

A CMGD will be issued upon expiry of the DLP and completion of the rectification of identified defects. We also extend joint warranties or guarantees together with relevant suppliers in respect of selected proprietary systems, materials and goods installed, such as external paint works and water proofing works beyond the DLP, subject to terms of the contract. Any defects that are identified during this period will be rectified by our respective subcontractors if the defects are due to defective materials or workmanship.

We generally submit the draft final accounts with all the required supporting documents within 6 to 12 months after the issuance of the CPC. The final accounts shall be completed and issued by the project's architect and/or superintendent officer and/or client in accordance with the terms of the contract.

7. BUSINESS OVERVIEW (*Cont'd*)

Generally, our clients are entitled to retain 10.0% of each progress billing, as retention sum, up to a maximum of 5.0% of the contract sum. When a maximum limit of 5.0% of the contract sum has been retained, no further amount shall be retained by the client. Our client will retain the entire retention sum throughout the contract period until the issuance of CPC, where half of the total retention sum will be released to us. The remaining half of the retention sum will be retained by our client until the end of the DLP, and upon issuance of the CMGD. The remaining retention sum may be utilised by our client to remedy defects if we fail to rectify the defects within the agreed period.

Similarly, we also retain 10.0% of each certified work done against our subcontractors as retention sum, up to a maximum of 5.0% of the awarded subcontract value. We will release the retention sum to our subcontractors of which half of the retention sum will be released upon the issuance of the CPC, whilst the remaining half will be released at the end of the DLP and upon the issuance of the CMGD.

For the FYE 2017 to FYE 2020, we have not incurred any LAD.

7.5 PRINCIPAL MARKETS

Our Group's revenue for FYE 2017 to FYE 2020 was generated from our business activities in Malaysia.

7.6 SALES AND MARKETING

We do not have a designated sales and marketing department. Our Group Managing Director and Executive Director, with support from our Tender and Contracts Department, work together to seek for new projects from past, existing and potential new clients such as property owners/property developers, and project consultants such as architects and engineers. Our Tender and Contracts Department also monitors and sources for new projects from open tenders for public sector projects, where information is made available through notices in major newspapers and websites of relevant government agencies. In addition, we also work together with contractors that we have worked with in the past, to identify new opportunities in the industry.

7.7 TECHNOLOGY USED OR TO BE USED

Our Group uses a number of licensed computer software for project management, supply chain management, claims and contract management, asset management and cost-benefit analysis to facilitate our business processes. The table below lists the major types of computer software used:

Software	Description
AutoCAD LT	A computer-aided design and drafting software application to create two-dimensional drawings.
Microsoft Project	A project management software which is used to develop project plans, assigning of resources, progress tracking, project budgeting and analysing workloads.

7. BUSINESS OVERVIEW (*Cont'd*)

Software	Description
Speedbrick Compose	A cloud-based software which allows contractors to manage their supply-chain management process. It connects the site operators and project management office on material management issues and keeps tracks of material site request, purchase and delivery orders. It also provides a single view of project material performance and helps users stay within construction budget.
Speedbrick Echo	A cloud-based software which allows contractors to manage the contracts, progress claims and monitor deadlines and financial performance.
Fleet Maintenance Pro	A fleet maintenance software which is used for inventory tracking, preventive maintenance scheduling, repair tracking, managing work orders, daily inspection checklists, inventory management, fuel and metre imports and customisable reports.
Hilti – ON!Track	An asset management system to track the tools and equipment on the project sites.

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7.8 INTERRUPTIONS IN BUSINESS

Save as disclosed below, our Group has not experienced any interruption that had significant effect on our operations during the past 12 months preceding LPD.

Impact of Covid-19 and MCO on our Group

Due to the recent outbreak of the Covid-19 pandemic, the Government announced a MCO, which took effect from 18 March 2020. As a result, we temporarily suspended our operations at both our project sites and head office, with our personnel from head office working remotely. Nonetheless, under an exemption announced by MITI on 10 April 2020, we had on 22 April 2020 received approval from MITI to resume operations on Nestcon Infra's on-going projects. On 4 May 2020, we further received approval from MITI to resume operations on Nestcon Builders' on-going projects.

Prior to resumption of operations, we were required to perform Covid-19 testing on all our site construction workers (including our subcontractors' site construction workers) to ensure they are not infected with the virus. We gradually resumed works from 4 May 2020 starting with our Railway Project and we fully resumed operations at all project sites on 25 May 2020. Subsequently, some of our site construction workers on one of our project sites, the Scarletz Project, were detected positive for Covid-19 on 25 December 2020. Operations at the said project site were immediately suspended, all site construction workers were instructed to practise self-quarantine and Covid-19 test was also carried out on all site construction workers. Disinfection and sanitisation work was undertaken at the project site and we resumed operations at Scarletz Project site on 4 January 2021, upon receiving approval from the Ministry of Health.

As at LPD, we have complied with the latest standard operating procedures imposed by the Government, and all our on-going projects have fully resumed activities.

The impact of the above has halted the construction activities of our on-going projects for approximately 8 to 10 weeks beginning from 18 March 2020. Although our construction activities were temporarily suspended for that period, our Board considers that such temporary suspension would not have a material impact on our business operation and financial condition. This is because most of the costs we incur for our business operations are variable costs, which mainly consists of subcontractors' costs. As such, we will only incur such costs when we are carrying out our construction activities. As for the fixed costs, we still had to incur approximately RM2.50 million per month for staff cost and wages, upkeep and maintenance, finance costs and rental expenses during the business suspension period. There was no significant impact on our employees as we did not reduce the number of employees nor reduce their salaries as a result of Covid-19 and MCO.

However, the temporary suspension of our operations as mentioned above will affect our Group's financial performance as we expect a delay in our revenue recognition which will result in lower revenue for FYE 2020, as compared to FYE 2019, but higher compared to FYE 2018.

7. BUSINESS OVERVIEW (*Cont'd*)

The Government announced another MCO ("**MCO 2.0**") which was effective on 13 January 2021 which transitioned to conditional MCO or recovery MCO. Thereafter, another MCO 3.0 was implemented effective 12 May 2021 for the whole country following increases in the number of Covid-19 cases. However, this did not materially impact our operation as exemption was granted by MITI for us to operate as usual. We have complied with the latest standard operating procedures imposed by the Government for all our project sites and office. As such, we do not foresee the need for any extension of our contract period. In the event the Government shall impose tighter restrictions which affect the progress of our construction activities, we shall apply to our clients for further extension of time to complete our on-going projects with no imposition of LAD on us.

On 28 May 2021, the Government subsequently announced a FMCO, also known as total lockdown effective 1 June 2021, where all social and economic activities are not allowed to operate with exemptions given to selected industries. During this period, construction activities are limited to works such as repair and maintenance as well as construction of public infrastructure such as tunnels, slopes, bridges and viaducts, highways (those which are at least 80% completed), Mass Rapid Transit, Light Rail Transit, The East Coast Rail Link, hospitals, and workers' residence at construction sites.

Following the announcement of the FMCO, we have temporarily suspended our operations at both our project sites and our head office with personnel from head office working remotely. We had on 1 June 2021 submitted applications to MITI to operate our ongoing civil engineering and infrastructure projects and have received approvals to continue our construction activities for 7 out of 15 contracts on 1 June 2021. However, construction works for our building construction segment will not be able to resume during this period.

We will continue to monitor any new developments and announcements from relevant authorities, as to when we can fully resume operations at all project sites. Assuming the current FMCO will last around 8 to 10 weeks like the initial MCO which took effect on 18 March 2020, our Board considers that such suspension would not have a material impact on our business operation and financial condition. Nonetheless, the final effects of the Covid-19 pandemic are difficult to assess at this stage and any prolonged Covid-19 pandemic may have negative effect on the Malaysian economy and property development industry as a whole.

Todate, we have not encountered any foreign workers shortage for our project. The work permits of our foreign workers are renewable on yearly basis and we have not encountered any difficulties to renew their work permits thus far except for 2 foreign workers whose work permits expired on 6 January 2021, which were subsequently renewed on 2 February 2021.

Moving forward, we do foresee a shortage of foreign workers for our upcoming projects if the Covid-19 pandemic is prolonged and tighter restrictions are imposed by the Government as no incoming foreign workers are allowed by the Government yet. In addition, the existing foreign workers with working permits expired may not be willing to extend their employment in Malaysia. In this regard, our proposed IBS facility is intended to reduce our dependency on foreign workers.

Measures to commence and continue our business operations

As part of the requirements to commence our operations, all our site construction workers (including our subcontractors' site construction workers) have undergone Covid-19 testing to ensure that they are not infected with the virus. We had incurred approximately RM0.25 million on Covid-19 tests for all the subcontractors' site construction workers at our project sites, and such costs incurred will be reimbursed by our subcontractors. Meanwhile, we did not incur any costs for the Covid-19 tests for our employees and site construction workers as it was covered under the Prihatin Screening Programme implemented by the Social Security Organisation under the Ministry of Human Resources.

We have also implemented new Covid-19 safety and health instructions and procedures, and social distancing guidelines imposed by the Government, relevant authorities and local councils. These new Covid-19 standard operating procedures include the following:

(i) requiring all our employees to declare their health conditions and travel history prior to returning to our office and project sites;

(ii) implementation of movement control routing;

(iii) ensuring all our employees, construction workers and visitors wear face masks at all times, regularly sanitise their hands and practise social distancing;

(iv) measuring and recording the body temperature of our employees, construction workers and visitors daily;

(v) regular sanitising of our office, project sites and staff accommodations;

(vi) setting up quarantine zones and isolated quarantine cabins at project sites;

requiring all employees and construction workers to visit nearby hospitals for diagnosis and treatment immediately if they have developed any Covid-19 symptoms and have not recovered after being in quarantine for 3 days; and

(vii) reminding all employees and construction workers of the importance of health protection, good hygiene practises and social distancing.

The total costs for the implementation of the Covid-19 standard operating procedures above is estimated to be approximately RM0.30 million annually (of which RM0.20 million has been incurred up to LPD) which is not material to our Group.

In the event of an outbreak of Covid-19 at our project sites, our standard operating procedures include the following:

(i) immediate suspension of all construction activities at the infected project site for at least 14 days and notifying the Ministry of Health of the outbreak;

(ii) conduct Covid-19 test for all site construction workers and practise self-quarantine;

(iii) any infected construction workers will be quarantined based on instructions from the Ministry of Health; and

(iv) the project site including construction machinery and equipment at the site will be disinfected.

Following the detection of Covid-19 at the Scarletz Project site, we also performed Covid-19 testing on all our other Klang Valley site construction workers (including our subcontractors' site construction workers) to ensure they are not infected with the virus. Arising from this, we incurred a total costs of RM0.07 million for the Covid-19 tests, quarantine accommodation, disinfection and sanitisation and transportation costs, which are not material to our Group.

Impact of Covid-19 and MCO on our supply chain

During the MCO and conditional MCO period, our suppliers' and subcontractors' operations were also temporarily suspended. We were working closely with them before we resumed operations to ensure that there will be timely delivery of construction materials, no shortage in supply of construction materials and labour, and continuation of services by our subcontractors once we resume our operations at our project sites.

In the event our suppliers and/or subcontractors are required to temporarily terminate their operations due to Covid-19 infection cases in the future, we believe our business operations will not be significantly impacted as we have 39 alternative suppliers and 32 alternative subcontractors from our approved list that meets our requirements to ensure consistent and stable supply of construction materials, labour and subcontractors' services.

Despite the outbreak of Covid-19 and imposition of MCO, MCO 2.0, MCO 3.0 and FMCO, we have not experienced any disruption to the supply chain upon resumption of our operations at all project sites.

Impact of Covid-19 and MCO on our projects

Due to the MCO and conditional MCO, the initial work plan for our Group's on-going projects has been deferred. The suspension of our operations may also result in our clients claiming LAD for delays in completion of the projects. In this respect, we have applied to 6 clients and received extension of time for the completion of our on-going projects with no imposition of LAD on us, as follows:

	Completion date	
Project	**Contracted**	**Extension of time given**
Grand Project	August 2020	August 2021
Scarletz Project	August 2021	November 2021
Panorama Project	September 2021	December 2021
Mossaz and Paxtonz Project	August 2022	October 2022
Railway Project	Between April 2020 to November 2020 for different sections of the project	July 2021
Provision of elevated roadworks at Damansara Perdana, Selangor	February 2021	August 2021

In view of the recently implemented FMCO, we will assess the period lost due to the temporary suspension of construction activities and applying for extension of time from our clients. As at LPD, we have received extension of time for all our projects which completion were inadvertently delayed due to the Covid-19 pandemic. We have also not experienced any termination or cancellation of any of our ongoing projects as at LPD.

Under the Pertubuhan Akitek Malaysia's standard form of building contracts which we have signed with our clients, in the occurrence of a force majeure event, we are entitled to apply to clients for extension of time to complete the projects. The Covid-19 pandemic is deemed to be a force majeure event.

The Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (Covid-19) Act 2020 ("**Covid-19 Act**"), which was gazetted on 23 October 2020, amongst others suspend the contracted obligation of the construction related contracts between period 18 March 2020 to 31 December 2020. The operation of such provision is extended to 30 June 2021 pursuant to the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (Covid-19) (Extension of Operation) Order 2021.

Despite the outbreak of Covid-19 and imposition of MCO, we have not experienced any termination or cancellation of any of our on-going projects up to LPD. In addition, there has not been any reduction in the contracted value or contracted terms of our on-going projects up to LPD.

As at LPD, we have 11 building tenders and 40 civil engineering and infrastructure tenders with tender sum amounting to RM964.65 million and RM1,880.39 million respectively, which are still pending decision. These tenders are pending for decision, which may be delayed due to MCO 2.0. We have also received 1 tender invitation for our building segment and 5 tender invitations for our civil engineering and infrastructure segment. Due to MCO 2.0, we were informed by the respective project owner that the tender closing date will be deferred until further notice.

Due to the outbreak of Covid-19, there may be postponement of tenders for new construction projects in the construction industry but we believe that this is temporary and in the long run, the Covid-19 pandemic will not have any adverse impact on our prospects and our ability to replenish our order book.

Nonetheless, there can be no assurance that the outbreak of Covid-19 can be effectively controlled in Malaysia, and as such, its final implications are difficult to estimate at this stage. However, any escalation and prolonged situation of the Covid-19 pandemic will cause economic uncertainties and this could potentially affect us. Please refer to Section 9.1.1 for further details.

7.9 SEASONALITY

Our operations and sales are not subject to any seasonality factors. However, the demand for properties and construction services in Malaysia may be affected by global and local economic conditions and government policies, which may affect construction activities.

7.10 MAJOR CLIENTS

Our Group's clients are all based in Malaysia. Our top 5 clients according to their revenue contribution for FYE 2017 to FYE 2020 are as follows:

No.	Name	Revenue		Main services provided	Length of relationship
		RM'000	%		Years
FYE 31 December 2020					
1.	EXSIM Group	118,931	34.5	Construction works for Nidoz Project, Scarletz Project, Mossaz and Paxtonz Project and provision of elevated roadworks at Damansara Perdana, Selangor	7
2.	Client A[(1)]	110,967	32.2	Construction works for Railway Project	3
3.	Mediaraya Sdn Bhd	43,302	12.6	Construction works for Grand Project	3
4.	LLC Infra Sdn Bhd	32,035	9.3	Construction works for Panorama Project	4
5.	Altimas Sdn Bhd	10,975	3.2	Construction works for Kuchai Sentral Project	2
		316,210	**91.8**		
FYE 31 December 2019					
1.	EXSIM Group	185,532	43.9	Construction works for Nidoz Project, Scarletz Project and Mossaz and Paxtonz Project	6
2.	Client A[(1)]	151,472	35.8	Construction works for Railway Project	2
3.	Mediaraya Sdn Bhd	42,650	10.1	Construction works for Grand Project	2
4.	Nagano Development Sdn Bhd[(2)]	28,748	6.8	Construction works for Nest Residence Project	4
5.	LLC Infra Sdn Bhd	6,763	1.6	Construction works for Panorama Project	3
		415,165	**98.2**		

7. BUSINESS OVERVIEW (*Cont'd*)

No.	Name	Revenue RM'000	Revenue %	Main services provided	Length of relationship Years
FYE 31 December 2018					
1.	EXSIM Group	69,574	32.0	Construction works for Nidoz Project	5
2.	Nagano Development Sdn Bhd[(2)]	66,607	30.6	Construction works for Nest Residence Project	3
3.	Client A[(1)]	21,386	9.8	Construction works for Railway Project	1
4.	Mediaraya Sdn Bhd	21,258	9.8	Construction works for Grand Project	1
5.	Hai Feng Shipping Sdn Bhd	9,941	4.6	Construction works for Melaka Gateway Project	2
		188,766	**86.8**		
FYE 31 December 2017					
1.	EXSIM Group	123,975	65.0	Construction works for Petalz Project, Nidoz Project and Nouvelle Industrial Park Project	4
2.	Nagano Development Sdn Bhd[(2)]	41,584	21.8	Construction works for Nest Residence Project	2
3.	LLC Infra Sdn Bhd	15,547	8.1	Provision of earthworks for a power plant located in Alor Gajah, Melaka	1
4.	Syabas Tiara Sdn Bhd	2,541	1.3	Removal of soil located at Gua Musang, Kelantan	2
5.	Boon Shang Transport Sdn Bhd	1,842	1.0	Removal of soil located at Temusu Mukah, Sarawak	1
		185,489	**97.2**		

Notes:

(1) A private limited company incorporated and based in Malaysia and which is involved in civil engineering works, construction, property development & real estate investment, investment holding & related services.

Client A is a wholly-owned subsidiary of a public company listed on the Main Market of Bursa Securities. The holding company of Client A is an integrated infrastructure developer domiciled in Malaysia, with extensive international operations in the UK and Singapore, as well as businesses and projects under development in other countries including Indonesia, Australia, Japan, Jordan and China. The holding company of Client A and its subsidiaries are involved in utilities, cement manufacturing and trading, construction, property investment and development, hotel operations, management services and others, and IT and e-commerce related business. We are unable to disclose the identity of Client A by virtue of a confidentiality agreement executed with Client A in relation to the Railway Project.

(2) A related party by virtue of the interest of our Group Managing Director. Please refer to Sections 10.1 and 11.1 for further details.

Revenue contribution from our major clients varies from year to year given the nature of our business being conducted on a contract basis. We may not secure similar contracts in terms of size and scope with the same clients every year. As at LPD, we have 3 ongoing contracts from Client A in relation to the Railway Project, and 7 ongoing contracts from EXSIM Group for the Scarletz Project, Mossaz and Paxtonz Project and an elevated roadworks project at Damansara Perdana, Selangor, 1 rock blasting and other general works project at Damansara Perdana, Selangor, 2 road, drainage and water reticulation works projects at Damansara Perdana, Selangor and 1 rock stabilisation works project at Damansara Perdana, Selangor. For FYE 2020, Client A and EXSIM Group also contributed 32.2% and 34.5% of our revenue, respectively. While we are not dependent on our major clients for our business continuity as our contracts with them are secured on a contract by contract basis, Client A and EXSIM Group are expected to contribute significantly to our Group's revenue and profit for FYE 2020 up to FYE 2022 due to the timing and progress of their contracts.

Although our top 5 clients for FYE 2020 accounted for 91.8% of our revenue, we have also secured contracts from other clients such as Premier Baycity Sdn Bhd, China Communications Construction Company (M) Sdn Bhd, China Communications Construction (ECRL) Sdn Bhd, Lion Tin Sdn Bhd, Sunway Construction Sdn Bhd, MMC Engineering Sdn Bhd and Nescaya Etika Sdn Bhd, which collectively account for 23.7% of our order book as at LPD. The revenue contribution from these clients will come on-stream from FYE 2021 and for up to 3 years thereafter. Please refer to Section 9.1.2 for further details on our concentration on certain major clients.

7.11 TYPES, SOURCES AND AVAILABILITY OF INPUT

The main components of our cost of sales are subcontractors' costs, construction materials and direct labour costs.

The table below sets out our major cost components for FYE 2017 to FYE 2020:

	FYE 2017		**FYE 2018**		**FYE 2019**		**FYE 2020**	
Cost components	**RM'000**	**%(1)**	**RM'000**	**%(1)**	**RM'000**	**%(1)**	**RM'000**	**%(1)**
Subcontractors cost	106,998	61.7	94,850	49.8	223,856	58.2	171,376	55.1
Purchase of materials	38,385	22.2	58,798	30.9	105,910	27.5	88,551	28.4
Direct labour cost	7,322	4.2	12,792	6.7	17,159	4.4	16,199	5.2
Preliminaries(2)	20,568	11.9	23,990	12.6	37,985	9.9	35,070	11.3
	173,273	**100.0**	**190,430**	**100.0**	**384,910**	**100.0**	**311,196**	**100.0**

Notes:

(1) As a percentage of total cost of sales.

(2) Preliminaries include hire of vehicles, rental of equipment and premises, upkeep expenses, fuel & diesel, utilities, projects levy, insurances, depreciation of property, plant and equipment and costs related to safety, health and welfare.

As a main contractor or principal works contractor, we engage subcontractors to carry out selected parts of our construction activities, particularly those which require other specialised trade works such as M&E engineering works, piping and plumbing works, external painting works and water proofing works. In addition, we also engage subcontractors to carry out works which include supply and installation of construction materials, machinery and equipment with the objective of reducing the amount of workforce required and to lower our operating costs. Our subcontractors and suppliers are selected based on our developed internal policies and procedures.

Our construction materials comprise mainly steel materials such as steel bars and wire mesh, ready-mixed concrete, sanitary wares, tiles, cement, grout and adhesives, timber and plywood, hollow section and galvanised iron pipes, electrical items, bricks, diesel, and quarry products. These construction materials are widely available from local suppliers, including suppliers nominated by our clients. The prices for construction materials such as steel materials, concrete and cement may be subject to price fluctuations as a result of demand and supply conditions. For the purchases of construction materials, we generally take into account our suppliers' lead times to prevent potential major disruptions to our construction progress. We generally purchase construction materials on a project or per purchase order basis.

We have not faced acute shortages or major price differentials for any of our required construction materials as well as major price differentials for our labour wages during FYE 2017 to FYE 2020 which has materially affected our financial performance. In addition, we have not experienced major cost differentials for any of our subcontract agreements during FYE 2017 to FYE 2020 which has materially affected our financial performance.

7.12 MAJOR SUPPLIERS AND SUBCONTRACTORS

All our suppliers and subcontractors are based in Malaysia.

7.12.1 Major suppliers

Our Group's top 5 suppliers according to total purchases for FYE 2017 to FYE 2020 are as follows:

No.	Name	Purchase value		Main products sourced	Length of relationship
		RM'000	%		Years
FYE 31 December 2020					
1.	Supplier A and Supplier B[(1)]	25,693	29.0	Sand and stone and ready-mixed concrete used for the Railway Project for Client A	3
2.	LLC Infra Sdn Bhd	6,998	8.0	Steel and concrete	2
3.	Makin Juta Sdn Bhd	5,080	5.7	Steel and reinforcing fabric of steel	7

No.	Name	Purchase value		Main products sourced	Length of relationship
		RM'000	%		Years
4.	Emas Kiara Marketing & Engineering Sdn Bhd	4,290	4.8	Woven geotextile	2
5.	Cemix Concrete (M) Sdn Bhd	3,698	4.2	Concrete	7
		45,759	**51.7**		
FYE 31 December 2019					
1.	Supplier A and Supplier B[(1)]	35,491	33.5	Sand and stone and ready-mixed concrete used for the Railway Project for Client A	2
2.	Cemix Concrete (M) Sdn Bhd	6,723	6.4	Concrete	6
3.	Chin Hin Concrete (KL) Sdn Bhd	4,411	4.2	Concrete	6
4.	Electrolux Home Appliances Sdn Bhd	4,394	4.1	Washing machine, dryer, hood and hob	4
5.	Engtex Marketing Sdn Bhd	4,391	4.1	Steel, bricks, drainage culvert, cement, mesh and glazeware	6
		55,410	**52.3**		
FYE 31 December 2018					
1.	Cemix Concrete (M) Sdn Bhd	6,648	11.3	Concrete	5
2.	Lifomax Woodbuild Sdn Bhd	5,108	8.7	High tensile reinforcement steel bar, bricks and mesh	5
3.	Makin Juta Sdn Bhd	3,159	5.4	Steel, hardware and scaffolding	5
4.	Chin Hin Concrete (KL) Sdn Bhd	2,931	5.0	Concrete	5
5.	Kean Soon Marketing Sdn Bhd	2,416	4.1	Steel and mesh	4
		20,262	**34.5**		

No.	Name	Purchase value RM'000	%	Main products sourced	Length of relationship Years
FYE 31 December 2017					
1.	Cemix Concrete (M) Sdn Bhd	5,189	13.7	Concrete	4
2.	Makin Juta Sdn Bhd	3,464	9.1	Steel, hardware and scaffolding	4
3.	Syn Tai Hung Trading Sdn Bhd	2,899	7.7	Steel, bricks, drainage pipe culvert, cement and concrete	4
4.	Gerak Jalinan Sdn Bhd	2,724	7.2	Diesel	2
5.	Buildcon Concrete Sdn Bhd	2,148	5.7	Concrete	1
		16,424	**43.4**		

Note:

(1) Both Supplier A and Supplier B are private limited companies incorporated and based in Malaysia. Supplier A is involved in the quarry business & related services whilst Supplier B is involved in the manufacture & sale of ready-mix concrete & hiring of vehicles.

Supplier A and Supplier B are 50.01% and 93.39% subsidiaries of a public company listed on the Main Market of Bursa Securities. Supplier A, Supplier B and Client A have the same holding company. Please refer to the definition of Client A for further description of the holding company. We are unable to disclose the identity of Supplier A and Supplier B by virtue of a confidentiality agreement executed with Client A in relation to the Railway Project.

Our Group has established a long-standing relationship with several of these companies and we believe that the relationships forged will be beneficial to our purchasing and cost efficiency. The suppliers are also selected based on several criteria such as the quality of their products and the reliability of suppliers. We are not dependent on any single major supplier as in the event we are unable to source for our supplies from the above suppliers, we are still able to source the products from other suppliers in the local market.

7.12.2 Major subcontractors

Our Group's top 5 subcontractors according to total subcontractors costs for FYE 2017 to FYE 2020 are as follows:

No.	Name	Subcontractor cost RM'000	%	Type of services provided	Length of relationship Years
FYE 31 December 2020					
1.	Geohan Sdn Bhd	14,972	8.7	Piling works	2

7. BUSINESS OVERVIEW (*Cont'd*)

No.	Name	Subcontractor cost RM'000	%	Type of services provided	Length of relationship Years
2.	Nehemiah Reinforced Soil Sdn Bhd	8,793	5.1	Reinforced earth wall	3
3.	Tech Max Construction Sdn Bhd	8,324	4.9	Architecture trade work	2
4.	Great Broz Resources Sdn Bhd	7,931	4.6	Temporary strutting and sheet piling works	3
5.	Intim Reno Sdn Bhd	6,296	3.7	Carpentry works	5
		46,316	**27.0**		
FYE 31 December 2019					
1.	Great Broz Resources Sdn Bhd	19,107	8.5	Temporary strutting and sheet piling works	2
2.	Geohan Sdn Bhd	16,738	7.5	Piling works	1
3.	Ideal Glass & Aluminium Works Sdn Bhd	14,037	6.3	Aluminium and glazing works	5
4.	Unimec Engineering Sdn Bhd	9,820	4.4	Air conditioning and mechanical works	5
5.	Intim Reno Sdn Bhd	8,363	3.7	Carpentry works	4
		68,065	**30.4**		
FYE 31 December 2018					
1.	Niagacom Sdn Bhd [(1)]	11,996	12.6	Reinforced concrete structure works	3
2.	Hektaria Sdn Bhd	7,570	8.0	Drainage and road works	3
3.	PLP Electrical Engineering Sdn Bhd	6,443	6.8	Electrical services	3
4.	Hongley Glass Sdn Bhd	5,087	5.4	Glass and aluminium works	2
5.	S Plus A Steel Construction Sdn Bhd	4,660	4.9	Earthworks	1
		35,756	**37.7**		
FYE 31 December 2017					
1.	Niagacom Sdn Bhd [(1)]	50,559	47.2	Piling and reinforced concrete structure works	2
2.	PLP Electrical Engineering Sdn Bhd	2,724	2.5	Electrical services	2

No.	Name	Subcontractor cost		Type of services provided	Length of relationship
		RM'000	**%**		**Years**
3.	Elite Alliance Engineering Sdn Bhd	1,477	1.4	Temporary strutting and sheet piling works	2
4.	Nilam Suci Sdn Bhd	1,263	1.2	Infrastructure road works	2
5.	First Steel Construction Sdn Bhd	1,260	1.2	Metal and general works	3
		57,283	**53.5**		

Note:

(1) Niagacom Sdn Bhd is a subcontractor nominated by our client for the Nidoz Project.

Save for Niagacom Sdn Bhd which contributed to 47.2% and 12.6% of our total subcontractors cost for FYE 2017 and FYE 2018, none of our top 5 major subcontractors accounted for more than 10% of our total subcontractors cost for FYE 2017 to FYE 2020.

We are not dependent on any single major subcontractor as we work with a large pool of subcontractors in the local market. We do not enter into any long-term agreement with our subcontractors and suppliers, as our subcontractors and supply contracts are usually on contract-to-contract basis which covers the requirements of the relevant contract.

7.13 QUALITY CONTROL MANAGEMENT

7.13.1 Integrated management system

Our Group is committed to delivering quality construction services that meet the expectations and requirements of our clients, while protecting the safety and health of parties involved and minimising the environmental impact arising from construction activities. To this end, we have developed and implemented an integrated management system, which combines the components of a quality management system, occupational health and safety management system and environmental system.

As a testament to our quality commitment, the quality management system, occupational health and safety management system and environmental management system of both Nestcon Infra and Nestcon Builders were assessed and accredited with the ISO 9001:2015, OHSAS 18001:2007 (updated to ISO 45001:2018 in year 2020) and ISO 14001:2015 in 2017 by AGM Certification Sdn Bhd. Nestcon Infra was accredited under the scope of "infrastructure and civil engineering works" while Nestcon Builders was accredited under the scope "building construction works, civil engineering works and infrastructure works".

7.13.2 Quality assessment

QLASSIC is a system or method to measure and evaluate the workmanship quality of a building construction work based on Construction Industry Standard ("**CIS 7**"). Developed by CIDB and introduced in 2006, QLASSIC was established to achieve the following objectives:

(a) To benchmark the quality of workmanship in construction industry;

(b) To establish a standard quality assessment on quality of workmanship of construction work;

(c) To assess the quality of a workmanship of a construction project based on relevant approved standards;

(d) To be used as a criterion to evaluate the performance of contractors based on quality of workmanship; and

(e) To compile data for statistical analyses.

QLASSIC assessment is performed through a sampling approach which evaluates four main components namely, structural, architectural, M&E, and external works, with different weightages assigned to each component depending on the type of building being assessed. The scores of each component are then summed up to derive the overall QLASSIC score for a construction project.

As at LPD, we have participated in QLASSIC assessment for 3 of our residential building projects. We achieved a QLASSIC score of 70 for Petalz Project, 76 for Nest Residence Project and 79 for Nidoz Project.

7.13.3 Stringent partner selection

To ensure the quality of our services, we have put in place a set of standard procedures in selecting our subcontractors and suppliers. New domestic subcontractors and suppliers are evaluated prior to being invited for job tenders through pre-qualification submission such as company profile, track record and financial position. Existing domestic subcontractors and suppliers are invited for tender based on their track record and work history with our Group.

All selected subcontractors and suppliers are evaluated in terms of financial performance, production capabilities, ability to deliver products and services that meets our Group's quality requirements, and ability to deliver in a timely manner. In addition, we conduct periodic assessments on our subcontractors and suppliers to ensure their capabilities and information are up to date.

7.14 RESEARCH AND DEVELOPMENT

We do not engage in any research and development activity. Nevertheless, we regularly attend trade shows and exhibitions relating to the construction industry such as the Malaysian International Building Exposition and International Architectural, Interior Design and Building Exhibition Malaysia to identify the latest industry products, trend and technologies. From time to time, we also invite specialist suppliers and specialist subcontractors to provide product briefing to our staff.

7.15 COMPETITIVE STRENGTHS

7.15.1 Established track record in civil engineering, infrastructure and building construction works

We began our operations in 2010 when we secured our first project to provide earthworks and infrastructure services for a state sponsored project. Since then, we have established a track record in the construction industry in Malaysia and have completed over 20 construction projects, of varying sizes, scope of works and contract values.

Both our subsidiaries are registered G7 contractors under CIDB, the highest grade issued by CIDB which allow us to undertake projects of any size and of unlimited amounts within Malaysia. In addition, both our subsidiaries are also registered as G7 contractors under Sijil Perolehan Kontrak Kerajaan, which meets the requirements and guidelines of the Ministry of Finance allowing us to participate in Government awarded contracts.

Over the last 10 years of experience in the construction industry, we have gained skills and knowledge by undertaking technical infrastructure projects namely the Railway Project and Scarletz Project. The Railway Project required us to work on a live railway track where the trains are still operating while the Scarletz Project entailed the construction of high rise buildings on a small plinth on a land measuring less than 1 acre. By leveraging on this experience, we have been proposing and providing our clients with value added services such as alternative design through value engineering to achieve cost and/or time savings.

Our project portfolio provides us with the platform to grow and sustain our business as a market player in the construction industry, while at the same time, serves as important reference for new and potential clients.

7.15.2 Qualified and experienced management and technical team

We are spearheaded by our Group Managing Director, Datuk Ir. Dr. Lim, who has approximately 22 years of engineering experience in respect of earthworks, civil engineering and infrastructure works, building construction and IBS, property development, civil and structural engineering consultancy and project management. Our Board is also represented by our Executive Director, Ong Yong Chuan, who has approximately 22 years of engineering experience in building construction. Under their leadership, our Group has successfully completed multiple building and infrastructure projects throughout Malaysia since 2010.

Further, our business operations are supported by our key senior management team which has collective experience and knowledge of the construction industry to lead our continual growth. In terms of technical expertise, we are supported by Yee Chee Sing (Project Director, Civil Engineering & Infrastructure Division), Lau Hoe Cheong (General Manager - Tender and Contracts, Civil Engineering & Infrastructure Division), Khoo Chun How (Senior Manager - Tender and Contracts, Building Construction Division) and Lim Kie Nyap (Senior Project Manager, Building Construction Division). Their experience in the construction industry ranges from approximately 15 to 29 years. In terms of our finance and accounting functions, we are supported by our Finance Director, Lim Joo Seng and Group Finance Manager, Wong Wai Peng who have approximately 23 and 26 years of experience in finance and accounts.

7.15.3 Commitment in maintaining good quality in our projects

Our Group is committed to providing our clients with quality services and to continuously improve in all aspects of our business. We have developed and implemented an Integrated Management System that is assessed by AGM Certification Sdn Bhd and accredited with internationally recognised standards, which include:

- ISO 9001: 2015 - Quality Management System
- ISO 14001: 2015 - Environmental Management System
- ISO 45001:2018 - Occupational, Health & Safety Management System

We have fostered working relationships with various parties over the course of our operations, which include experienced personnel, suppliers and subcontractors which enable us to anticipate and identify potential challenges and delays in advance. It is our Group's commitment to ensure that our projects are well managed and completed on a timely manner while meeting our clients' requirements and specifications.

We have also deployed an IT operating system in respect of supply chain management, claim and contract management and asset management to streamline our daily operations and improve our operating efficiency. These initiatives are intended to improve our service quality and ensuring clients' satisfaction.

7.16 BUSINESS STRATEGIES AND PROSPECTS

Our business objectives are to maintain sustainable growth in our business and create long-term shareholder value. To achieve our business objectives, we will implement the following business strategies over the period of 24 months from the date of our Listing.

7.16.1 Establishing our own on-site IBS facility

In an environment of increased competitiveness, our Group's main focus is to simultaneously reduce cost, improve quality, reduce delivery times and embrace mass production principles.

From prior experience, our Group Managing Director, Datuk Ir. Dr. Lim has the relevant skills and knowledge of integrating, planning, monitoring, managing and controlling off-site and on-site activities in the context of IBS. Together with our project team, he has formulated a detailed and comprehensive strategy for effective adoption and implementation of IBS.

We have allocated RM6.00 million, or 13.3% of the proceeds from Public Issue to set up our own on-site casting yard at suitable project sites with approximately 5 to 10 acres to produce hollow core slabs, half slabs and precast bathroom units.

Precast hollow core slabs are mainly used as concrete flooring for parking podium. Based on our planned setup for 4 casting bases at 150 metres (length) x 1.2 metres (width) per casting base, we expect to produce on a daily basis, 168 square metres of hollow core slabs with standard measurement of 8 to 9 metres (length) x 1.2 metres (width) x 0.2 metres (thickness). This translates into a built up floor space of approximately 1,807 sq ft per day.

Half slabs and precast bathroom units form part of the setup as to ensure continuity of production process for our casting yard at different stages of construction phase. We plan to set up a table base mould of 120 metres (length) x 3 metres (width) which consists of 20 sets of base mould at 3 metres x 6 metres per set. The daily production from such set up is approximately 30 panels with standard measurement of 3 to 4 metres (length) x 2.4 metres (maximum width) x 0.065 to 0.09 metres (thickness). As for precast bathroom units, based on 4 precast bathroom unit base moulds, we will be able to produce 2 units per day.

As the hollow core slabs, half slabs and precast bathroom units produced will be mainly used for our future construction project located on the project site, we will be able to reduce transportation costs from external off-site casting yard that we would have to otherwise incur. In addition, the plant and equipment purchased for the casting yard can be redeployed to other project sites in the future by a straightforward process as the reset-up of the casting yard in new project sites is not complicated. The base mould, semi portal gantry cranes, batching plant and hollow core plant can be dismantled and transported to a future project site and/or yard for re-installation. The cost to be incurred for the relocation and set-up of a similar capacity casting yard is estimated to be approximately RM1.00 million while the estimated timeframe required for the set-up is approximately 4 to 6 months.

To set up this on-site casting yard, we will be subject to the approvals from authorities such as the local councils, Department of Environment and CIDB (IBS status).

The tentative timeline to set up this on-site casting yard is as follows:

Milestone	Description
T	Listing date
T + 4 months	Expected approval from local councils, Department of Environment and CIDB (IBS status)
T + 5 months	Commence purchase of the plant and equipment
T + 6 months	Expected completion of site preparation works
T + 12 months	Expected completion of setting up the casting yard
T + 15 months	Expected completion of setting up the concrete batching plant
T + 18 months	Testing and commissioning of casting yard
T + 21 months	Expected certificate of fitness for occupation for the casting yard

Such on-site casting yard will be set up on an identified section of our major client's land measuring a total of 61 acres, which has been earmarked for a mixed township development, spanning 10 to 12 years from 2020 and with estimated gross development value of RM9 billion. Although we have not secured this mixed township development contract, however we have 6 ongoing contracts with the said client within the vicinity of this mixed township development. The said client's land for setting up of such on-site casting yard will be leased to us upon finalisation of the mixed township development's phasing plan. In addition, we have submitted a proposal to the said client and received consent to set up an on-site casting yard subject to:

(a) submission of a detailed proposal including the necessary approval from the relevant authorities; and

(b) us indemnifying and keeping the said client indemnified against all liabilities, costs, charges, and expenses whatsoever incurred or suffered by them in respect of any claims, actions, proceedings commenced and/or prosecuted against them in relation to the setting up and operation of the IBS facility.

Our IBS venture is part of our efforts to reduce dependency on foreign workers while simultaneously improving quality and reducing delivery times. As such, if the said client retracts its consent in the future, the measures that we will take are as follows:

(a) Identifying another suitable location to set-up a permanent off-site casting yard. The new set up is to be fully equipped with proper casting facilities and certifications to take external projects from public and private sectors;

(b) Exploring joint ventures and/or partnerships with the state government, government-linked companies, government bodies and/or private project owners for the construction of low and/or medium cost apartments and single and double-storey terrace houses; and

(c) Exploring collaboration with the existing pre-cast manufacturers.

7.16.2 Improve our profile by tendering for more construction contracts

The number and size of construction contracts that we can undertake at any point in time depend largely on the availability of our working capital as:

(a) A portion of our capital is locked up during the duration of a construction contract to match the bank guarantee issued as performance bond for the project. The amount of performance bond required for each project is generally 5.0% of the total contract sum. Based on the past 4 financial years under review up to the LPD, our performance bond amount ranges between RM5.52 million to RM12.09 million for the building construction projects whereas it ranges between RM0.41 million to RM17.02 million for the civil engineering and infrastructure projects. As the bank guarantee is usually secured by way of a pledge of fixed deposit, this affects our liquidity for the duration of the bank guarantee; and

(b) During the course of our construction, there may be instances of mismatch in the timing of our cash flows due to time lags between making payments to our subcontractors and suppliers and receiving payments from our clients.

If we are to expand our business and secure more construction contracts, we must increase our available financial resources to satisfy the working capital required to undertake the construction contracts. We have therefore allocated RM10.95 million, or 24.3% of the proceeds from the Public Issue for our working capital purposes. We have also allocated RM6.62 million, or 14.7% of the proceeds from the Public Issue to acquire machineries and equipment to support our business expansion for the civil engineering and infrastructure segment.

By applying a portion of the proceeds from the Public Issue to satisfy the various working capital requirements associated with undertaking contract works, our Group will be in a better position to tender and expand our construction portfolio in the following segments:

(a) High-rise building

We have been securing high-rise building construction projects with higher contract values since our establishment. The Mossaz and Paxtonz Project is currently our largest high-rise project with a contract sum of RM400.00 million as at LPD.
Moving forward, we will continue to replenish and grow our order book from the building construction segment, particularly the high-rise building segment which will enhance our revenue and increase our market share in the industry.

As at LPD, we have 11 tenders for building construction and related infrastructure works mainly in Klang Valley with a total tender sum of RM964.65 million, which are still pending decision from client. These tendered projects mainly relate to construction of high-rise residential and commercial buildings, and commercial units such as shophouses and factories. These tendered projects, if awarded to us, will further increase our order book.

Our involvement in high-rise condominium and serviced apartment projects such as Petalz Project, Nest Residence Project, and Nidoz Project serve as our key reference to secure future tenders as we are equipped with the required knowledge and technical skills to manage the construction of high-rise buildings. In addition, we already have an existing fleet of machinery and equipment suitable for the construction of high-rise buildings that we can mobilise.

(b) Purpose-built and industrial buildings

We intend to extend our building construction portfolio to include purpose-built and industrial buildings. Purpose-built buildings refer to hospitals, schools and hotels while industrial buildings refer to factories and warehouses.

We believe our past expertise and experience in the construction of high-rise buildings will provide us with the required knowledge and technical skills for the construction of other buildings.

Our expansion into other building segments will enable us to further increase our revenue stream and project portfolio, as well as improve our Group's profile.

(c) Other infrastructure projects

We plan to further expand into civil engineering and infrastructure projects as we believe that our country's on-going economic development will spur the demand for such projects, where government-led initiatives will focus on civil engineering and infrastructure projects involving ground treatment, highways, bridges and transportation infrastructure, major water and sewer reticulation works as well as renewable energy. As at LPD, we have 40 tenders for civil engineering and infrastructure projects across Malaysia with a total tender sum of RM1,880.39 million, which are pending decision. These tendered projects mainly relate to site clearing, earthworks, construction of retaining walls, road and drainage works.

As an initial part of such expansion, we intend to penetrate into the renewable energy segment in particular the construction of large-scale solar photovoltaic ("**LSSPV**") projects, where we will focus on the provision of earthworks and related infrastructure works for project owners. LSSPV projects are large-scale solar photovoltaic plants where electricity generated from the LSSPV plant is supplied to the electricity grid.

In this respect, the Ministry of Energy and Natural Resources via the Energy Commission has opened a competitive bidding process for Large-Scale Solar Programme by Malaysian Electricity Industry to Attract Renewable Energy Investment ("**LSS@Mentari**"). The LSS@Mentari which started on 31 May 2020 is the fourth competitive bidding exercise held by Energy Commission where 1,000 megawatt of quota is up for tender, the biggest quota so far under the LSSPV programmes. These moves are aimed at reviving as well as stimulating the Malaysian economy that is affected by the Covid-19 pandemic.

As at LPD, we have also submitted a tender for the provision of earthworks for a LSSPV project, which was part of the third LSSPV competitive bidding exercise that was conducted in 2019 and is currently pending decision.

We believe that our plan to further expand into the civil engineering and infrastructure projects is supported by our country's on-going economic development. We believe that our existing key senior management team has the necessary knowledge and technical skills to handle and complete the targeted civil engineering and infrastructure construction projects. Moreover, we already have an existing fleet of machinery and equipment that we can mobilise quickly to further expand our infrastructure construction services.

7.16.3 Prospects of our Group

We believe that our prospects in the construction industry are favourable taking into consideration our competitive strengths in Section 7.15, our future plans in Section 7.16 as well as the prospects of the construction industry as set out below.

According to the IMR Report, the construction industry contracted by 19.4% in 2020 with a market size of RM53.40 billion. This is a result of the Covid-19 pandemic and the implementation of MCO which had disrupted local construction activities with players continue to face challenges to restart work due to strict compliance to new standard operating procedures, disruption in supply of building materials as well as financial constraints. Due to the Covid-19 pandemic and MCO, the Government had announced a number of economic stimulus and assistance packages to preserve the public's welfare, support businesses and strengthening the economy. Among the announcement made include allocation of additional RM2.5 billion for contractors to carry out small and medium projects across the country under Budget 2021, the continuation of hiring incentive program under PERKESO (now known as PenjanaKerjaya) as well as the provision of several incentives to stimulate the property market such as the extension of full stamp duty exemption on instruments of transfer and loan agreement for first time home buyers until 31 December 2025 and allocation of funds for construction of comfortable and quality housing.

While there have been renewed waves of positive Covid-19 cases and reimplementation of movement and travel restrictions at the start of 2021, the Malaysian economic outlook remains optimistic as all economic sectors including construction industry continues to operate. Growth in the industry is expected to come from government-led initiatives and spending particularly those relating to infrastructure and housing developments such as the East Coast Rail Link, Bandar Malaysia, Johor Bahru-Singapore Rail Transit System, Klang Valley Double Track and Pan Borneo Highway. A favourable interest rate environment and increased participation from the private sector via funding and investment structures and steady population claims are also expected to support the construction industry.

The Malaysian construction industry is expected to rebound in 2021 with a growth rate of 7.0% on the back of infrastructure activities. From 2021 to 2025, the construction industry is expected to grow at a compound annual growth rate of 7.3%, with a market size of RM75.92 billion in 2025.

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Protégé
ASSOCIATES
BRAND : FINANCE : MARKET

The information in this Section 8 is based on market research conducted by Protégé Associates commissioned by Nestcon Berhad for the purpose of the IPO.

Date: 8 May 2021

The Board of Directors
Nestcon Berhad,
No. 02-10, Jalan Kenari 13B,
Bandar Puchong Jaya,
47180 Puchong,
Selangor Darul Ehsan.

Dear Sirs,

Strategic Analysis of the Construction Industry in Malaysia

Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this 'Strategic Analysis of the Construction Industry in Malaysia' for inclusion in the prospectus of Nestcon Berhad ("**Nestcon**") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 21 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true, balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

SEOW CHEOW SENG
Managing Director

1.0 Introduction to the Construction Industry

Construction is a series of process with several stages of production, which converts raw materials though the use of labour and machineries to create various forms of buildings and infrastructures. The construction industry in Malaysia can generally be segmented into 2, namely, the real estate construction market and the civil engineering and specialised trade work market. Real estate construction refers to the construction of buildings for residential and non-residential purposes. Civil engineering mainly refers to the construction of infrastructures while special trade work is specialised construction work in building or non-building related project without responsibility for the entire project. Nestcon is involved in both segments of the construction industry whereby the company provides building construction services as well as undertakes civil engineering and infrastructure construction works.

2.0 Overview of the Construction Industry in Malaysia

The construction industry in Malaysia is considered to be largely domestic-oriented and is an important component within Malaysia's economy due to its strategic and extensive linkages with the rest of the economy. As such, the Malaysian Government's policies have been accommodative and supportive of the growth in the local construction industry which typically included proposed government projects as part of its development expenditure.

The local construction industry expanded from RM66.22 billion in 2018 to RM66.25 billion in 2019 as growth in the civil engineering and specialised trade work market helped to cushion the weaker performance in the real estate construction market due to the continuing property overhang situation. The share of the real estate construction market as well as the civil engineering and special trade work market in the local construction industry in 2019 stood at 44.7% and 55.3% respectively.

In 2020, the local construction industry contracted by 19.4% as a result of the coronavirus disease ("**COVID-19**") pandemic and implementation of lockdown measures, namely the movement control order, conditional movement control order and recovery movement control order. The COVID-19 pandemic and lockdown measures had disrupted local construction activities as most construction companies continue to face challenges to restart work due to strict standard operating procedures ("**SOPs**"), disruption in supply of building materials and financial constraints. A weaker economic outlook further dampened property demands.

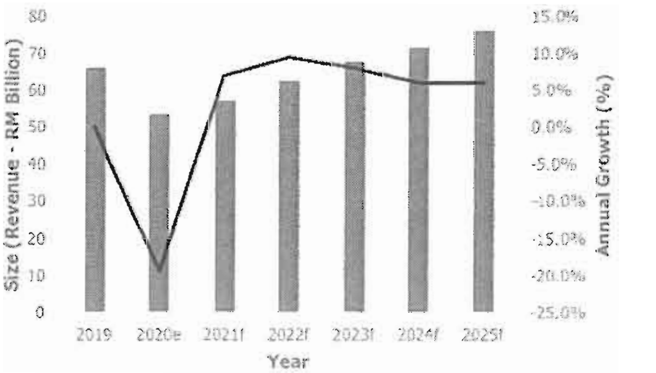
As a result, the Malaysian Government announced a number of economic stimulus and assistance packages to preserve rakyat's welfare, support businesses and strengthen the economy. These include the allocation of RM2.5 billion for G1 to G4 contractors to carry out small and medium projects across the country under Budget 2021, and the continuing hiring incentive program under PERKESO (now known as PenjanaKerjaya) whereby for sectors with high reliance on foreign workers, a special incentive of 60% of monthly wages will be provided whereby 40% will be channelled to the employers while 20% will be channelled as wage top up to the local worker replacing the foreign workers.

Figure 1: Historical Size (Revenue) and Growth Forecast for the Construction Industry in Malaysia, 2019-2025

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	66.25	-
2020[e]	53.40	-19.4
2021[f]	57.14	7.0
2022[f]	62.56	9.5
2023[f]	67.57	8.0
2024[f]	71.62	6.0
2025[f]	75.92	6.0

CAGR (2021-2025) (base year of 2020): 7.3%

Notes: At constant 2015 prices; [f] denotes forecast, [e] denotes estimate



Sources: DOSM and Protégé Associates

The local construction industry is expected to grow at an annual rate of between 6.0% and 9.5% during the period from 2021 to 2025. During this period, the growth in the local construction industry is expected to be supported by building and infrastructure construction activities that include the ongoing or upcoming mega projects such as the East Coast Rail Link ("**ECRL**"), Bandar Malaysia, Johor Bahru-Singapore Rail Transit System, Klang Valley Double Track and Pan Borneo Highway. The implementation of various infrastructure projects and affordable housing schemes are expected to continue providing the foundation for growth in construction activities in Malaysia from 2021 to 2025, where the size (revenue) of the construction industry in Malaysia is projected to reach RM75.92 billion in 2025.

The historical performance and growth forecast of the construction industry in Malaysia based on a combination of resources, including the data from the Department of Statistics Malaysia ("**DOSM**"), Construction Industry Development Board Malaysia ("**CIDB**"), Ministry of Finance Malaysia, Bank Negara Malaysia ("**BNM**") and the annual reports of public listed construction companies. Data is also gathered from further secondary and primary research works conducted. Searches on private construction companies are also conducted with the Companies Commission of Malaysia to gather more disclosures on their business performance. Primary research works are conducted with stakeholders in the local construction industry such as contractors, suppliers and customers to gather their insights on the industry. All the findings are collated, analysed and/or computed to ascertain the outlook of the construction industry in Malaysia.

2.1 Overview of the Property Market in Malaysia

Real estate construction activities are correlated with the growth in the property market. A higher demand for properties can lead to higher level of construction activities for real estate. In terms of project ownership, the construction of new buildings in Malaysia is dominated by the private sector. In 2020, private sector accounted for 84.1% of the value of real estate construction works done with the remaining belonging to the public sector (government and public corporation). Public corporation consists of statutory and non-statutory bodies that are set up under the laws passed by the Parliament Act or the State Legislative Assembly that can operate and manage the government programmes more independently.

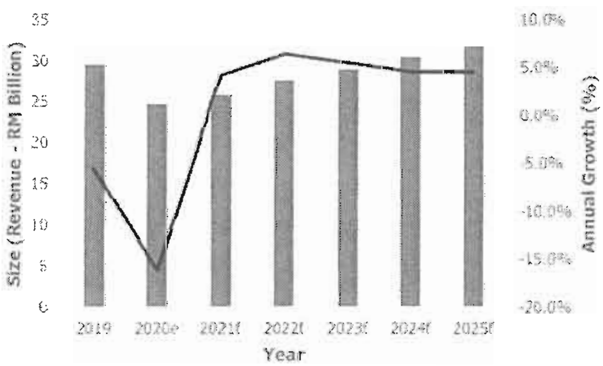
The real estate construction market has been experiencing a slowdown in recent years, with it being valued at RM24.80 billion in 2020, showing a contraction of 16.2% as compared to RM29.59 billion in 2019. The slowdown can be attributed to spiralling prices and home ownership issues, resulting in the Malaysian Government putting in place various measures and initiatives to curb speculative activities and promote responsible financing practices over the past years. Going forward, growth in the local real estate construction market is expected to be supported by affordable housing schemes. The size (revenue) of the real estate construction industry in the country is projected to reach RM31.75 billion in 2025. This represents a CAGR of 5.1% for the period from 2021 to 2025.

Figure 2: Historical Size (Revenue) and Growth Forecast for the Real Estate Construction Market in Malaysia, 2019-2025

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	29.59	-
2020^e	24.80	-16.2
2021^f	25.82	4.1
2022^f	27.49	6.5
2023^f	28.99	5.4
2024^f	30.35	4.7
2025^f	31.75	4.6

CAGR (2021-2025) (base year of 2020): 5.1%

Note: At constant 2015 prices; ^{f} denotes forecast, ^{e} denotes estimate



Sources: DOSM and Protégé Associates

In Budget 2021, the Malaysian Government has continued to step up efforts in ensuring that the 'rakyat' can own a house. Initiatives and measures related to 'increasing home ownership' announced in Budget 2021 include but are not limited to the following:

- Full stamp duty exemption on instruments of transfer and loan agreement for first time home buyers is extended until 31 December 2025. The limit of duty stamp for first residential home is also increased up to RM500,000. This exemption is effective for sale and purchase agreement executed from 1 January 2021 to 31 December 2025. In addition, stamp duty exemption is also extended for another 5 years to loan agreements and instruments of transfer to rescuing contractors and the original house purchaser. This exemption is effective for loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by Ministry of Housing and Local Government;

- A total of RM1.2 billion is provided for construction of comfortable and quality housing, including RM500 million to build 14,000 low cost housing units under the Program Perumahan Rakyat, RM315 million for the construction of 3,000 Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad, RM125 million for the maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters, and RM310 million for the Malaysia Civil Servants Housing Programme; and
- Collaboration between the Malaysian Government and selected financial institutions to provide a Rent-to-Own Scheme, which will be implemented until 2022 and involves 5,000 PR1MA houses with a total value of more than RM1 billion and is reserved for first-time home buyers.

In addition to the above, The Employees Provident Fund will also continue the development of the Kwasa Damansara with an estimated gross development value of RM50 billion which includes commercial and residential properties as well as an innovation and medical hub. To ensure the welfare and well-being of military personnel, a total of RM500 million is allocated to maintain the facilities of the existing Rumah Keluarga Angkatan Tentera and the construction of 1,000 new units.

The Malaysian property market (that covers both primary and secondary markets) declined in 2020 in both total transaction volume and total transaction value. Total transaction volume increased from 328,647 in 2019 to 295,968 in 2020, where the residential segment accounted for 64.7% of total transaction volume, followed by agriculture (20.7%), commercial (6.8%), development land and others (6.2%) and industrial (1.6%) segment.

Total transaction value decreased from RM141.40 billion in 2019 to RM119.08 billion in 2020, where the residential segment accounted for 55.3% of total transaction value, followed by commercial (16.4%), industrial (10.7%), agriculture (10.5%) and development land and others (7.1%) segment.

Residential properties with prices of below RM300,001 per unit accounted for 118,050 or 61.7% of total transaction volume in the residential segment in 2020. This represented 39.9% of the total transaction volume in the Malaysian property market for the year. Residential properties at this price range are expected to remain dominant in the near future particularly with the efforts from the Malaysian Government to push for more availability of affordable housing. On a recent note, the local property market has received a boost following the unveiling of several incentives by the Malaysian Government to stimulate the property market under the Short-Term Economic Recovery Plan.

2.2 Overview of the Infrastructure Market in Malaysia

The infrastructure market in Malaysia mainly relates to civil engineering and specialised trade work activities within the country. Civil engineering mainly refers to the construction of infrastructures such as roads and highways, utility structures and buildings, and public infrastructures like bridges, airports, dams and railways. It also includes services such as earthworks, piling works, rock blasting works, reclamation works, landscaping, as well as construction of sewerage systems, water supply systems and flood control systems. Specialised trade works (also known as mechanical and electrical works) involve the construction of parts of buildings and civil engineering works without responsibility for the entire project, and includes air-conditioning systems, lifts and escalators, fire prevention and protection system, monitoring and security system as well as general electrical works.

In terms of project ownership, infrastructure projects in Malaysia are led by the Malaysian Government and public corporations. In 2020, the combined Malaysian Government's and public corporation's participation accounted for 75.4% of the total value of civil engineering works done with the remaining belonging to the private sector.

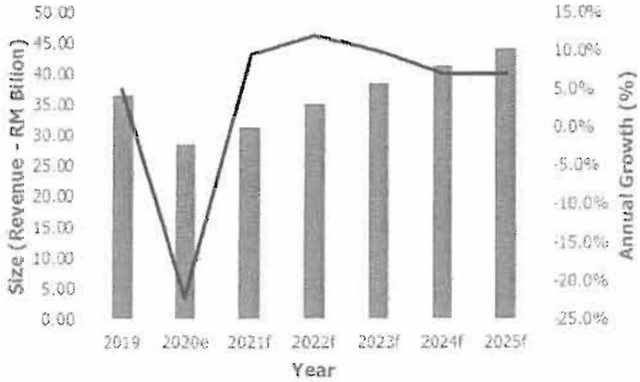
The civil engineering and specialised trade works market in Malaysia had been driving growth in the overall construction industry over the past years. The civil engineering and specialised trade works market in Malaysia was valued at RM28.59 billion in 2020, which was a 22.0% decrease from RM36.66 billion in the previous year. The decrease was mainly attributed to COVID-19 disrupting the economic activity within the country. Going forward, the size of the civil engineering and specialised trade works market in Malaysia is expected to reach RM44.17 billion in 2025.

Figure 3: Historical Size (Revenue) and Growth Forecast for the Civil Engineering and Specialised Trade Works Market in Malaysia, 2019-2025

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	36.66	-
2020e	28.59	-22.0
2021f	31.31	9.5
2022f	35.07	12.0
2023f	38.58	10.0
2024f	41.28	7.0
2025f	44.17	7.0

CAGR (2021-2025) (base year of 2020): 9.1%

Note: At constant 2015 prices; f denotes forecast, e denotes estimate



Sources: DOSM and Protégé Associates

In Budget 2021, the Malaysian Government remained committed towards fiscal consolidation. Development expenditure allocation announced under Budget 2021 is channelled towards bridging urban-rural infrastructure gap, enhancing the living standards of the people and promoting economic development. A total of RM15 billion has been allocated for transport related projects which include the Pan Borneo Highway, the Gemas-Johor Bahru Electrified Double-Tracking Project and the Klang Valley Double Tracking Project Phase One. In addition, several key projects will also be continued including the Rapid Transit System Link from Johor Bharu to Singapore, and the MRT 3 in Klang Valley. Several large new projects worth approximately RM3.8 billion will also be implemented under Budget 2021 including the construction of the Second Phase of the Klang Third Bridge in Selangor, continuing the Central Spine Project with the new alignment from Kelantan to Pahang, upgrading the bridge across Sungai Marang in Terengganu, upgrading the Federal Road connecting Gerik to Kulim and construction of the Cameron Highlands Bypass road in Pahang. A sum of RM780 million will be allocated to continue development projects under the five regional corridors of economic development. These projects include the Rapid Transit Bus Transport System in Johor, construction of the Palekbang Bridge to Kota Bahru, construction of infrastructure and related components of the Special Development Zone Project in Yan and Baling in Kedah, the infrastructure project in Samalaju Industrial Area in Sarawak, and the continuation of the Sapangar Bay Container Port Expansion Project in Sabah.

It can be seen that the Malaysian Government has continued to give higher priority to projects which have higher economic and social effects. A sum of RM735 million has been allocated for school maintenance and upgrading works while a sum of RM150 million has been set aside for the Raw Water Transfer Project from Sungai Kesang and Tasik Biru to the Jus Reservoir in Jasin, Melaka. Sabah and Sarawak will also receive a Development Expenditure allocation of RM5.1 billion and RM4.5 billion respectively. The allocation are mainly for building and upgrading water, electricity, and road infrastructure, health and education facilities.

The budget allocated for the above construction projects is part of the total development expenditure of RM69.00 billion provided in Budget 2021. The economic sector encompassing agriculture and rural development, energy and public utilities, environment, trade and industry, and transport received the higher allocation of approximately RM39.03 billion while the social sector, security sector and general administration accounted for the balance of the allocation. Moving forward, the Malaysian Government and public corporations are expected to continue being the main contributors to growth in the local infrastructure market, in line with the PRIHATIN announcement by the Malaysian Government.

3.0 Competitive Landscape of the Construction Industry

The Malaysia government regulates the construction industry in Malaysia. It is mandatory for all contractors whether local or foreign to register with the Construction Industry Development Board Malaysia ("**CIDB**") before they participate in any construction works in Malaysia. The industry is highly competitive and fragmented with different grades of contractors capable of bidding for varying project according to their capabilities and levels of services. There are 3 main registration categories for registered contractors in Malaysia, namely the building construction category, the civil engineering construction category and the mechanical and electrical category. Contractors can register under one or more specialisation in each category depending on the intended construction activities that they are undertaking. As at 8 May 2021, there were 123,581 registered local contractors in Malaysia, each categorised by a grade ranging from G1 to G7.

Figure 4: Number of Local Contractors in the Malaysian Construction Industry as at 8 May 2021

Grade	Bidding Limit	Number of Contractors
G1	Not exceeding RM200,000	59,586
G2	Not exceeding RM500,000	23,994
G3	Not exceeding RM1,000,000	17,275
G4	Not exceeding RM3,000,000	5,338
G5	Not exceeding RM5,000,000	6,509
G6	Not exceeding RM10,000,000	2,033
G7	Unlimited	8,846

Source: CIDB

G7 contractors mainly comprise established contractors who are able to compete for and undertake projects of unlimited size as they have the required financial strength, track record, reputation and technical expertise to undertake larger scale projects. G7 contractors are able to undertake and manage the entire project on their own and may work with or sub-contract certain portion/process to smaller contractors to benefit from cost and time saving. They typically have existing work relationships and track record with many customers that they are able to leverage upon to attain new projects. Some would have been pre-qualified with certain of their customers, allowing them to participate in closed tenders, giving them an edge in winning the bid.

Figure 5: G7-Registered Local Contractors by State as at 8 May 2021

State	Number of G7-Registered Local Contractors
Johor	723
Kedah	235
Kelantan	162
Kuala Lumpur	1,647
Labuan	11
Melaka	188
Negeri Sembilan	225
Pahang	172
Perak	263
Perlis	29
Pulau Pinang	531
Putrajaya	29
Sabah	621
Sarawak	736
Selangor	3,057
Terengganu	217

Source: CIDB

Figure 6: Local Contractors Registered under the B04 Specialisation by Grade in Malaysia as at 8 May 2021

Grade	Number of Contractors	% of Total
G1	59,560	48.3%
G2	23,921	19.4%
G3	17,250	14.0%
G4	5,314	4.3%
G5	6,495	5.3%
G6	2,025	1.6%
G7	8,823	7.2%

Source: CIDB

Contractors that participate in the local real estate construction market are typically registered under the B04 specialisation with CIDB. B04 specialisation refers to construction work on building. Among the registered local contractors, 123,388 local contractors or 99.8% of total local contractors in Malaysia are registered under the B04 specialisation as at 8 May 2021. Hence, the level of competition in the local real estate construction market is high.

3.1 Industry Players Analysis

Nestcon is involved in the Malaysian construction industry via its two wholly-owned subsidiaries, namely Nestcon Builders Sdn Bhd and Nestcon Infra Sdn Bhd. Both subsidiaries are G7 contractors registered under the B04 specialisation. For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players in Malaysia for comparison with Nestcon:

- principally involved in the construction industry offering building construction and/or civil engineering and specialised trade works and derived more than 75% of its revenue from construction activities;
- have revenue of more than RM250 million for its latest available audited financial information;
- a public listed company on Bursa Malaysia Securities Berhad; and

- registered as a G7 contractor or have at least a subsidiary that is a G7 contractor with CIDB with the B04 specialisation.

The criteria is used to further narrow down the list of industry players (from the total 8,846 registered local G7 contractors in Malaysia as at 8 May 2021) that can be selected for comparison with Nestcon. The criteria are used in order to select industry players that are deemed to be more similar to Nestcon in terms of upcoming revenue, type of company and principal activities of business entity. Given that Nestcon has a revenue of RM344.5 million for its financial year ended ("**FYE**") 31 December 2020, we have selected industry players with revenue more than RM250 million to allow for comparison with its counterparts that stand to generate upcoming revenue in the near and middle term which is closer to the one generated by Nestcon. We have selected existing public listed industry players for comparison purpose. Besides that, the use of the criteria for the inclusion of G7 contractor (or with at least a subsidiary that is a G7 contractor) with specialisation in B04 category enables the selection of its competing peers for the same type and value of construction jobs.

After taking into consideration the above criteria, Protégé Associates has selected five industry players namely GDB Holdings Berhad ("**GDB**"), Inta Bina Group Berhad ("**Inta Bina**"), MGB Berhad ("**MGB**"), Pesona Metro Holdings Berhad ("**Pesona Metro**") and TCS Group Holdings Berhad ("**TCS**") for comparison purpose. It needs to be highlighted that the list of industry players used for comparison purpose is not exhaustive. The list of industry players only serves as a reference for readers.

GDB Holdings Berhad
GDB is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiary, Grand Dynamic Builders Sdn Bhd is in the provision of construction services. As at 31 December 2020, the order book of GDB stood at RM2.10 billion. For FYE 31 December 2020, all of GDB's revenue amounting to RM362.8 million was derived from its construction activities.

Inta Bina Group Berhad
Inta Bina is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activities of its subsidiary, Inta Bina Sdn Bhd are securing and carrying out construction contracts. The unbilled order book of Inta Bina stood at approximately RM1.08 billion as at 31 December 2020. For FYE 31 December 2020, all of Inta Bina's revenue amounting to RM280.3 million was derived from its construction activities.

MGB Berhad
MGB is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activities of its subsidiary, MGB Construction and Engineering Sdn Bhd are securing and carrying out construction contracts. The order book of MGB stood at approximately RM1.57 billion as at 15 July 2020. For FYE 31 December 2019, 78.7% of MGB's revenue amounting to RM595.1 million was derived from its construction activities.

Pesona Metro Holdings Berhad
Pesona Metro is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiary, Pesona Metro Sdn Bhd is in the provision of construction services. The order book of Pesona Metro stood at RM0.9 billion as at 31 December 2020. For FYE 31 December 2019, 95.0% of Pesona Metro's revenue amounting to RM598.4 million was derived from its construction activities.

TCS Group Holdings Berhad
TCS is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiaries namely TCS Construction Sdn Bhd and TCS Bina Sdn Bhd are in the provision of construction services. The order book of TCS stood at RM843.5 million as at 31 December 2020. For FYE 31 December 2020, all of TCS's revenue amounting to RM242.6 million was derived from its construction activities.

Figure 7: Comparison between Nestcon and Selected Industry Players in the Construction Industry in Malaysia

Indicator	Nestcon	GDB	Inta Bina	MGB	Pesona Metro	TCS
Information from FYE	31-12-2020	31-12-2020	31-12-2020	31-12-2019	31-12-2019	31-12-2020
Revenue	344,479	362,813	280,297	756,146	625,482	242,643

Indicator	Nestcon	GDB	Inta Bina	MGB	Pesona Metro	TCS
(RM'000)						
Profit before Tax (RM'000)	19,211	33,787	12,940	20,905	17,745	25,877
Profit after Tax (RM'000)	14,301	24,524	8,101	12,481	13,642	16,169
Profit before Tax Margin[1] (%)	5.6	9.3	4.6	2.8	2.8	10.7

Notes:
The above figures (which are based on the latest available audited financial information) only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area
[1] Profit before Tax Margin = Profit before Tax / Revenue

Sources: Nestcon, Bursa Malaysia Securities Berhad and Protégé Associates

3.2 Nestcon's Market Share Analysis

For FYE 31 December 2020, Nestcon generated revenue of RM344.5 million, equivalent to 0.6% share of the total size (revenue) of the construction industry in Malaysia of RM53.40 billion in 2020. Nestcon's revenue of RM199.4 million generated from building construction activities for FYE 31 December 2020 was equivalent to 0.8% share of the real estate construction market in Malaysia of RM24.80 billion in 2020.

4.0 Demand Conditions

Figure 8: Demand Conditions Affecting the Construction Industry in Malaysia, 2021-2025

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2021-2022	**2023-2024**	**2025**
+	Government-Led Initiatives and Spending	High	High	High
+	A Favourable Interest Rate Environment	High	High	Medium
+	Increasing Push for Private Sector Participation via Funding and Investment Structures	Low	Medium	Medium
+	Steady Population Growth	Low	Low	Low
-	Subdued Property Demand and Slower or Lesser Construction Activities Due to the COVID-19 Pandemic and Lockdown Measures	High	Low	Low
-	Persistent Property Overhang Situation	Medium	Medium	Low
-	Stringent Policies Dampening Growth in the Property Market	Low	Medium	Medium

Source: Protégé Associates

Around half of the revised RM220 billion development allocation earmarked under the 11MP is for developing infrastructure that can spur more construction activities. The CITP introduced by the Malaysian Government is also providing a clear policy direction in driving the local construction industry forward. The private sector is also expected to play a more active role, both directly and indirectly, in the future development of the construction industry in Malaysia by participating in crowdfunding platforms to provide housing schemes and the formation of infrastructure related real estate investment trusts.

The overnight policy rate has been relatively low in Malaysia and had been revised downward 4 times thus far in 2020 from 3.00% to 2.75% on 22 January 2020, from 2.75% to 2.50% on 3 March 2020, from 2.50% to 2.00% on 5 May 2020 and from 2.00% to 1.75% on 6 May 2021. This helps to keep borrowing cost at a relatively low level to spur more demand for properties. Besides that, total population of Malaysia which stood at 28.6 million in 2010 is projected to grow steadily to reach 41.5 million in 2040 leading to higher demand for housing. These 2 demand conditions can drive the demand for properties leading to higher building construction activities.

On the flip side, the COVID-19 pandemic and lockdown measures have dampened consumer demand for property with the prohibition on close contact due to social distancing measures further limiting property marketing and sales activities. The lockdown measures had also disrupted construction supply chain and activities, leading to slower recognition of revenue, and possibilities of postponing some new construction projects. Moreover, restrictive measures such as increase in the real property gain tax ("**RPGT**") for disposal of properties or shares in a real property company in the sixth and subsequent years from 5% to 10% for companies, non-citizens and non-permanent residents, as well as from 0% to 5% for Malaysian citizens and permanent residents (with exemption provided on low cost, low-medium and affordable houses with prices below RM200,000) are expected to continue and reduce the rate of growth in the property market with potentially lesser number of property transactions expected to be registered moving forward. Nonetheless, the Malaysian Government has re-introduced the Home Ownership Campaign ("**HOC**") with stamp duty exemption on instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 and RM2.5 million. In addition, the current 70% margin financing limit applicable for the 3rd housing loan onwards for property valued at RM600,000 and above is uplifted during the period of the HOC. Meanwhile, the property overhang situation in Malaysia continued to persist although the combined overhang residential, shop and industrial units decreased from 37,968 units in 2019 to 37,879 units in 2020. This development may place property developers in a more difficult position in launching new property projects in the future, leading to lesser demand for construction services.

5.0 Supply Conditions

Figure 10: Supply Conditions Affecting the Construction Industry in Malaysia, 2021-2025

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2021-2022	**2023-2024**	**2025**
+	CIDB Providing the Necessary Leadership in Spearheading the Development of the Local Construction Industry	High	High	High
+	Activism by Master Builders Association Malaysia ("**MBAM**") Raising Profile and Pushing for the Betterment of the Construction Industry in Malaysia	High	High	High
+	Strengthened Mechanism to Address Payment Disputes and Facilitate Adjudication	Medium	Medium	Medium
-	Labour Shortage and High Dependency on Foreign Workers	High	High	High
-	Challenging Operating Environment Due to the COVID-19 Pandemic and Lockdown Measures	Medium	Low	Low
-	Lack of Traction in the Adoption of Industrialised Building System ("**IBS**") Construction	Medium	Medium	Low

Source: Protégé Associates

On the supply side, both CIDB and MBAM have been working hard to increase the profile and growth of the local construction industry. CIDB has already developed the industry blueprint, Construction Industry Transformation Programme ("**CITP**") that outlines strategic goals and milestones to bring the local construction industry to the next level as highlighted in the 11MP covering the period from 2016 to 2020. MBAM can count on a relatively large pool of industry stakeholders such as contractors and building material suppliers as its members and it is widely considered as the voice of the construction industry in Malaysia. It helps to promote, enhance, protect and safeguard the interests of its members. More importantly, MBAM acts as a single collective voice for the local construction industry when engaging with policy makers and relevant government bodies – leading to an increase in bargaining power. It has been actively conducting dialogues with the Malaysian Government to find ways to resolve various issues faced by the local construction industry. The introduction of the Construction Industry Payment and Adjudication Act 2012 ("**CIPAA**") and the establishment of specialised construction courts in Malaysia have also helped to alleviate the prevalent and pervasive practice of delayed, underpayment and/or non-payment for works carried out under a construction contract in Malaysia.

On the other hand, the labour-intensive local construction industry has continued to grapple with labour shortage. Most locals shun these jobs as they view them as dangerous, dirty and difficult, and they expect higher wages. Therefore, the construction industry has been relying heavily on foreign workers. It does not help that policies on foreign workers have been constantly under close scrutiny and are vulnerable to frequent changes particularly on levy rates and number of foreign workers allowed to work in Malaysia. Due to the COVID-19 pandemic and lockdown measures, local construction industry players already incurred holding costs, losses and expenses for not being able to proceed with construction works. For those that are allowed to operate, they incur additional costs for executing strict health and safety regulations, enhanced sanitisation at the workplace and/or urgent COVID-19 testing for their foreign workers. In addition, there is no new intake of foreign workers allowed into the country, until end of the year. Nonetheless, construction industry players stand to get temporary relief from certain contractual obligation(s) for a certain period as stated in the Temporary Measures for Reducing The Impact of Coronavirus Disease (COVID-19) Act 2020. In addition, for sectors with high reliance on foreign workers such as the construction industry, a special incentive of 60% of monthly wages will be provided whereby 40% will be channelled to the employer while 20% will be channelled as a wage top up to the local worker replacing the foreign worker.

There is also a lack of mass adoption of IBS by the local construction industry. It is hard for construction industry players to obtain meaningful economies of scale that can lead to economic viability. There is also a lack of standardisation of IBS in Malaysia as customised components for one project may not necessarily fit into another project leading to higher costs incurred for new mould and design. Besides that, design consultants are not adequately trained or fully equipped to undertake IBS design related tasks. Furthermore, there is limited number of construction industry players that are ready to fully prepare themselves for an IBS-driven environment.

The adoption of IBS in the local construction industry is still slow. This can be attributed to the lack of economic viability for the adoption of IBS, due to the difficulty in obtaining meaningful economies of scale, low standardisation of components where customised components for one project may not necessarily fit into another project as well as the lack of workers with knowledge in the field.

However, the Malaysian Government has strived to accelerate the adoption of IBS as part of the initiatives under the productivity strategic thrusts under the CITP and provision of levy exemptions by CIDB for housing development projects with at least 50% IBS content. Constructions of public buildings are also required to meet the required IBS score, with the mandate being extended to the private developments. These initiatives are starting to show promising results, with increased interests from the private sector exploring the IBS option in their construction needs.

6.0 Prospect and Outlook of the Construction Industry in Malaysia

Factors boosting growth within the construction industry is likely to come from the government-led initiatives and spending particularly those relating to infrastructure and housing development such as the ECRL, MRT 2 the Bandar Malaysia Project as well as provision of incentives to stimulate the property market and financing through the SME-GO Scheme for qualified contractors. A favourable interest rate environment and increased participation from the private sector via funding and investment structures and steady population claims are also expected to support the construction industry. However, stringent policies imposed on the property market by the Malaysian Government and deteriorating property overhang situation are expected to reduce growth in the property market, a key source of demand for construction activities although this is expected to be cushioned by ongoing efforts by the Malaysian Government in providing housing for all such as the HOC with stamp duty exemption on instruments of transfer and loan agreement for the purchase of residential homes.

On the supply side, the industry is expected to be boosted by efforts from industry bodies such as CIDB and MBAM by providing necessary leadership in spearheading the development of the local construction industry as well as raising profile and pushing for the betterment of the construction industry in Malaysia. In addition, the introduction of the CIPAA has also served as a strengthened mechanism to address payment disputes and facilitate adjudication within the industry. However, the Malaysian construction industry is expected to be hampered by labour shortage and high dependency on foreign workers, challenging operating environment due to the COVID-19 pandemic and lockdown measures as well as the lack of traction in the adoption of IBS construction.

Overall, the construction industry in Malaysia is expected to recover in 2021. Protégé Associates projects the size (revenue) of the construction industry to grow at a CAGR of 7.3% from 2021 to 2025, with a market size of RM75.92 billion in 2025.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 The ongoing Covid-19 pandemic and possible similar future outbreaks may have a significant adverse effect on our Group

From time to time, different regions in the world have experienced outbreaks of various viruses. At this time, a global pandemic known as Covid-19 is taking place and on 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic due to its rapid spread across the world. As the virus is relatively new, effective cure and vaccines have yet to be developed.

While Covid-19 is still spreading and its final implications are difficult to estimate at this stage, it is clear that the pandemic will affect a large portion of the global population and bring about significant economic uncertainties globally. At this time, the pandemic has caused varying level of precautionary measures being declared in various cities and countries around the world, travel restrictions and border control being imposed, quarantine or movement control being established and various business being closed or operating under strict operating procedures, Malaysia included.

The ongoing Covid-19 pandemic and any possible future outbreaks of viruses may have a significant adverse effect on our Group. Firstly, a spread of such diseases amongst our employees, as well any quarantines affecting our employees or our offices and project sites, may affect our ability to carry out our business. Secondly, strict operating procedures imposed by the regulatory authorities will also increase our operating costs. Finally, the current pandemic and any possible future outbreaks of viruses may also have an adverse effect on our business partners be it our clients, subcontractors or suppliers, resulting in lesser projects being awarded or slower construction progress or shortage of construction materials necessary for us to carry out our business. All these disruption may ultimately affect our ability to complete projects on time which could potentially lead to the imposition of LAD as detailed in Section 9.1.4.

The imposition of the MCO by the Government to contain the spread of virus has resulted in temporary suspension of our operations at our project sites for 8 to 10 weeks beginning from 18 March 2020. The imposition of the MCO 2.0 and MCO 3.0 did not materially impact our operations as exemption was granted by MITI for us to operate as usual. On 1 June 2021, the Government imposed the FMCO which resulted in temporary suspension of our operations at most of our project sites. As such, no assurance can be given that the prolonged Covid-19 pandemic or any subsequent MCO will not adversely affect our business operations.

Further to the above, we may be adversely affected by the wider macroeconomic effect of the ongoing Covid-19 pandemic and any possible future outbreaks of viruses. While the final effects of the Covid-19 pandemic are difficult to assess at this stage, it is possible that it will have substantial negative effect on the Malaysian economy and property development industry including our Government infrastructure spending. Such effects may also take place in the case of any possible future outbreaks. Any negative effect on the economies and markets where we operate in may decrease the demand for our services and have a material adverse effect on our Group.

9.1.2 The continuity of our order book is not assured and certain major clients contribute significantly to our order book

Our principal business is in the construction of buildings and infrastructure. We are normally awarded contracts on a project-to-project basis. There is no assurance of continuity from one project to the next project. In our industry, it is common for jobs to be awarded based on competitive bidding, and as such, we have to bid competitively for every contract that we wish to secure. There is a risk that we may not be able to secure every contract that we tender for. We also face the risk that our existing order book may be reduced due to termination of ongoing projects or reduction in our scope of work which reduces the contract value. Any significant decline in our order book from the current level will have a material adverse effect on our Group.

As at LPD, we have 3 ongoing contracts from Client A in relation to the Railway Project, and 7 ongoing contracts from EXSIM Group for the Scarletz Project, Mossaz and Paxtonz Project, 1 elevated roadworks project at Damansara Perdana, Selangor, 1 rock blasting and other general works project at Damansara Perdana, Selangor, 2 road, drainage and water reticulation work projects at Damansara Perdana, Selangor and 1 rock stabilisation works project at Damansara Perdana, Selangor. For FYE 2020, Client A and EXSIM Group also contributed 32.2% and 34.5% of our revenue, respectively.

The unbilled portion of our contracts with Client A and EXSIM Group represents 7.8% and 46.4% of our order book respectively as at LPD. While we are not dependent on Client A and EXSIM Group for our business continuity as our contracts with them are secured on a contract by contract basis, Client A and EXSIM Group are expected to contribute significantly to our Group's revenue and profit for FYE 2020 up to FYE 2022 due to the timing and progress of their contracts. Our financial performance for FYE 2020 up to FYE 2022 may be materially and adversely affected if we encounter any unexpected delays or disagreements with Client A and EXSIM Group.

9.1.3 Any unanticipated increase in costs associated with our construction projects may impair our financial performance

Our cash flows and profitability are dependent upon our ability to accurately estimate the costs associated with our construction projects. These costs may be affected by a variety of factors, such as lower than anticipated productivity, conditions at the work sites differing materially from what was anticipated at the time we bid for the contract, higher costs of materials and labour, delay in the availability of financing and political or social disruptions, amongst others.

These variations in costs may cause actual gross profit for a project to differ from those originally estimated and, as a result, certain contracts or projects could have lower margins than anticipated, or losses if actual costs for our contracts exceed its estimates, which could have a material adverse effect on our Group.

9.1.4 Our failure to complete our projects within the stipulated contract period could result in our clients imposing LAD on us

The timely completion of projects undertaken by our Group is dependent on many external factors inherent in the construction industry including, inter alia, the timely receipt of requisite licences, permits or regulatory approvals, availability of construction materials, equipment and labour, availability of financing, satisfactory performance of any subcontractors appointed and force majeure event.

Any adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which may result in our clients imposing LAD on us that could have a material adverse effect on our Group. Nonetheless, as at LPD, we have not experienced any situations where our clients imposed LAD on us.

9.1.5 Our operations depend on the availability of an adequate supply of construction materials at competitive prices

We utilise various construction materials such as steel bars and wire mesh, ready-mixed concrete, sanitary wares, tiles, cement, grout and adhesives, timber and plywood, hollow section and galvanised iron pipes, electrical items, bricks, diesel, and quarry products in our construction activities, and are thus dependent on the continuous supply of such materials which we source from a number of suppliers in Malaysia.

Our construction materials are price sensitive, and we face the risk of obtaining sufficient quantities of construction materials at competitive prices. Some of our construction materials such as steel bars are commodities and their prices are subjected to the fluctuation in global market prices. As we have been in the construction industry for a decade, we have experienced construction materials price fluctuation over the years. However, none of such price fluctuations had a material adverse impact on our financial performance. Further, any fluctuation in construction materials prices will affect the entire construction industry as a whole. Nonetheless, any price fluctuations in construction materials caused by shortages and price volatility of construction materials, which are beyond our control, could result in increased costs and have a material adverse effect on our Group.

9.1.6 We are dependent on the services of our subcontractors to complete our contracts

We usually engage subcontractors to carry out different parts of our construction activities particularly those requiring specialised licences such as M&E engineering works, piping and plumbing works, external painting works and water proofing works. In addition, we also engage labour only subcontractors such as bricklayer, plasterer and tiler with the objective to reduce the need for our Group to employ a large workforce to lower our operating costs.

Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of tenders submitted by the candidates, as well as our past working experiences and relationship with the candidates. Upon negotiation of pricing and scope of works or bills of quantities, we will enter into formal contracts with the subcontractors.

As our subcontractors have no direct contractual relationship with our clients, we are subject to risks associated with non-performance, late performance or poor performance by our subcontractors. Subcontractor failures are generally a result of lack of financial resources, quality workforce, quality management team, or they generally produce poor quality work or use substandard materials that do not meet the contract's specifications.

While we may attempt to seek compensation from the relevant subcontractors, we may from time to time, be required to compensate our clients prior to receiving the said compensation. If no corresponding claim can be asserted against a subcontractor, or the amounts of the claim cannot be recovered in full or at all from the subcontractor, we may be required to bear some or all the costs of the claims, in which case our Group could be materially and adversely affected. Nonetheless, as at LPD, we have not experienced any situations where our subcontractors delayed the progress or performed poorly or failed to perform their works, which required us to compensate our clients.

9.1.7 Our cash flow may be affected by delays in collections or non-recoverability of trade receivables

We are exposed to the delays in collections and/or non-recoverability of trade receivables. In addition, we were in net current liabilities position in FYE 2017 and FYE 2018 which exposed us to the risk of not being able to meet our short-term obligations. Any delay and/or non-payment by our clients may have an adverse impact on our financial position and our ability to meet our short term obligations.

The normal credit period granted to our clients is 45 days from the date of progress billings. However, our average trade receivable turnover days (excluding retention sum) during the financial years under review were 223 days, 100 days, 47 days and 68 days respectively, which was higher than our credit period granted to our clients. The slower collection from our clients may have a negative effect on our cash flow position and affect our ability to pay our suppliers and subcontractors as we try to match the timing of payment to our subcontractors with the collections from our clients. As such the delayed collections from our clients may lead to delay payment to our suppliers and subcontractors which may potentially delay the progress of our projects. Nonetheless, we were still able to generate positive operating cash flows for the financial years under review. However, we cannot assure you that we will not experience any delay and/or default in payments by our clients, which may have material adverse effect on our financial position. Please refer to Section 12.3.1 for further details on our working capital.

9.1.8 Our operations are dependent on our ability to obtain adequate financing at competitive rates

We rely on overdraft and trade financing such as factoring facilities to partially finance our working capital. Such credit facilities are callable on demand or have short term repayment tenure.

We also rely on bank guarantees for tender bonds and performance bonds. Such bank guarantees are used for all aspects of the project construction contract life cycle from the start of the tender process to the expiration of our liability towards the client in accordance with the terms of each respective contract. Tenure requirements for these bank guarantees are structured to match the underlying construction contracts with the respective counterparties.

If we are unable to secure adequate credit facilities at competitive rates for the abovementioned requirements, our cash flows, operations, growth and expansion plans will be adversely affected. There is also a risk of (a) simultaneous demand for immediate repayment on our outstanding credit facilities; and (b) calling on the tender bonds and performance bonds by our clients should we fail to meet our contractual obligations.

If any significant calls take place simultaneously, this would have a material adverse effect on our working capital and in turn, have a material and adverse effect on our Group.

As at 31 December 2020, our total bank borrowings and bank guarantees issued for contract works carried out by us amounted to approximately RM76.22 million and RM42.45 million respectively. As at LPD, the amount of unutilised short term financing facilities available for our working capital is RM264.95 million, whilst the unutilised facilities for bank guarantees is RM25.93 million. Any increase in interest rates on our borrowings and fees on our bank guarantees will adversely affect our Group.

9.1.9 We are subject to potential defects liability and warranty claims

We warrant the works that we performed including the work of our subcontractors. Our warranty comprises specific performance warranty such as external paint work and water proofing work which may run for up to 5 and 10 years respectively and defects liability which generally covers a period of between 12 to 27 months. Both our defects liability and warranty period commences from the date of CPC of the project.

The costs associated with any defects and warranty claims shall be borne by us and charged as our costs of sales for the respective projects. If we fail to rectify the defects satisfactorily, our clients may use the retention sums of the project to rectify those defects. In such cases, we may not recover the whole retention sum from our clients. As such, any material defects and warranty claims on our work could have a material adverse effect on our Group.

9.1.10 We are subject to workplace hazards and potential workmen's compensation claims and loss and damage to our machinery and equipment

Our employees and subcontractors are exposed to potential hazards such as bodily injuries and loss of life due to workplace accidents. In addition, we are also exposed to risk of loss and damage to our machinery and equipment arising from amongst others theft, improper usage, fire and explosion. As at LPD, we have not experienced any material workplace accidents.

Although we have taken up workmen compensation insurance up to RM287.66 million which provides insurance coverage to our workers at the construction sites and contractors' all risk insurance up to RM2,073.70 million to manage any losses which may arise at the construction sites, there can be no assurance that our existing insurance coverage is sufficient to compensate for the claims. Further, there can be no assurance that such insurance policies will continue to be available on terms acceptable to us.

Furthermore, the occurrence of workplace accidents and damage to our machinery and equipment could result in significant increase in project costs, or affect our ability to perform our contractual obligations, which could materially and adversely affect our Group.

9.1.11 Our continued success requires us to hire and retain qualified personnel

The success of our Group is dependent on the experience, industry knowledge and network, and skills of our Executive Directors. Our Group Managing Director, Datuk Ir. Dr. Lim and Executive Director, Ong Yong Chuan each has approximately 22 years of experience in the construction industry and in-depth knowledge of our operations. In addition, we purchased keyman insurances for Datuk Ir. Dr. Lim and Ong Yong Chuan pursuant to the terms of the banking facilities granted to us for our Kuchai Sentral Project and our project involving provision of flyover and pedestrian bridge works located at Seberang Perai Tengah, Penang in FYE 2020.

We are also dependent on our key senior management team which comprise individuals who each have significant relevant experience in the construction industry.

We believe that our continued and future success largely depends on the continued service of our Group Managing Director and Executive Directors and our continued ability to hire, develop, motivate and retain qualified key senior management to support our construction services and provision of quality services to our clients. The loss of our Group Managing Director, Executive Directors and key senior management (simultaneously or within a short span of time) without timely replacement may materially and adversely affect our Group.

9.1.12 There is no assurance that we will be able to establish the precast IBS facility successfully

We intend to establish and venture into precast IBS by setting up an on-site casting yard to produce precast products such as hollow core slabs, half slabs and precast bathroom units at suitable project sites as described in Section 7.16. The breadth and complexity of our business operations may increase as a result of such venture. The challenges and execution risks that we may encounter in relation to such venture may include failure to operate the casting yard effectively and efficiently or to recruit and retain sufficient skilled and trained personnel required for such venture. We may not be able to obtain sufficient and/or continuous work orders or production volumes to operate the IBS facility efficiently. In addition, our IBS facility may also experience downtime when a project completes, and our IBS facility is pending redeployment to other future projects.

Our IBS facility will be set up on our major client's land which will be leased to us. However, we may have to vacate such land if our lease is terminated for whatever reason and we will incur costs to locate a new premise, dismantle and transport the machineries and equipment and recommence our IBS facility. We may also need to incur additional costs to locate a suitable land to temporarily store the machineries and equipment when it is unutilised.

In such case, our IBS facility may be underutilised and not be able to generate the desired cost and time savings in our project sites or the desired profitability arising from such venture. We may not be able to recover the costs incurred in setting up the IBS facility, which may then have a material and adverse effect on our financial position.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are dependent on the property development industry and Government infrastructure spending in Malaysia

The majority of our clients are local property developers and any adverse changes in the property development industry in Malaysia will affect us. In addition, our infrastructure construction segment is also dependent on our Government infrastructure spending in Malaysia.

The property market and infrastructure spending is subject to Government policies in Malaysia. Any adverse changes in Government policies vis-à-vis the property market and infrastructure spending such as housing, land and development policies as well as policies and stimulus for economic development that drives up spending for construction services could adversely affect the performance of the property industry and construction activities in Malaysia.

In addition, any restrictive policy changes by BNM such as upward changes in the overnight policy rate by BNM, which increases interest rates for housing loans, and reduced loan-to-value ratios will subsequently restrict the purchasing ability of buyers. This would likely have a negative impact on consumer sentiment and purchasing power, and dampen overall demand for properties.

There can be no assurance that any future unfavourable changes in Government policies will not adversely affect our Group in the future.

9.2.2 We face competition in the construction industry, which could adversely affect our business

The construction industry is highly fragmented, and we compete with other companies ranging from small independent firms to larger public listed firms. Our competitors may have greater resources than us or have specialised expertise in certain segments.

Due to the nature of our business, we are actively involved in tendering for building and infrastructure construction projects. We compete on pricing, availability of financial and manpower resources, technical expertise, operating track record and quality of workmanship. If we are unsuccessful in our bid for projects, or if there is intense price competition, our prospects may be adversely affected.

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

Construction activities are labour intensive and given the shortage of local workers, the construction industry in Malaysia relies heavily on foreign labour.

Our operations are highly dependent on foreign workers which are either under our employment or our subcontractors' employment. As at LPD, we employed a total of 96 foreign workers which represents 24.5% 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, the number of which will depend on each project requirement which may change from time to time.

Hiring of foreign workers in the construction industry is allowed by the Government, subject to certain conditions, which may change from time to time. As a result of restriction imposed on the hiring of foreign workers such as the freezing of hiring foreign workers of a certain nationality, the construction industry is facing a shortage in the supply of foreign workers.

At this juncture, we obtain work permits for our foreign workers, which may be renewed on a yearly basis up to 10 years. 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 Group.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

(a) The selected investors fail to subscribe for their portion of our IPO Shares;

(b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and

(c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 70.0% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2017 to FYE 2020 and up to LPD:

					Transaction value									
					FYE 2017		FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Datuk Ir. Dr. Lim	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder	Lease payment to Datuk Ir. Dr. Lim for the rental of our offices	(30)	(1)0.4	(60)	(1)0.5	(60)	(1)0.5	(60)	(1)0.6	(20)	(1)0.5
				Advances from Datuk Ir. Dr. Lim	2,689	NA	6,721	NA	3,500	NA	-	-	-	-
				Repayment to Datuk Ir. Dr. Lim	(3,586)	NA	(10,150)	NA	(697)	NA	(2)	NA	-	-
Datuk Ir. Dr. Lim	Nestcon Infra	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder	Lease payment to Datuk Ir. Dr. Lim for the rental of meeting room(6)	(9)	(1)0.1	(18)	(1)0.2	(18)	(1)0.2	(18)	(1)0.2	(6)	(1)0.2
				Advances from Datuk Ir. Dr. Lim	2,410	NA	6,000	NA	3,641	NA	-	-	-	-
				Repayment to Datuk Ir. Dr. Lim	(20)	NA	(1,500)	NA	(9,301)	NA	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2017		FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Ong Yong Chuan	Nestcon Builders	Ong Yong Chuan	Ong Yong Chuan is our Director and substantial shareholder	Advances from Ong Yong Chuan	254	NA	-	-	-	-	-	-	-	-
				Repayment to Ong Yong Chuan	(263)	NA	(121)	NA	(417)	NA	(7)	NA	-	-
Nagano Development Sdn Bhd	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Nagano Development Sdn Bhd	Progress billing to Nagano Development Sdn Bhd for Nest Residence Project	58,550	(2)30.7	57,864	(2)26.6	22,082	(2)5.2	-	-	-	-
				Advances to Nagano Development Sdn Bhd	-	-	(2,500)	NA	-	-	-	-	-	-
				Repayment from Nagano Development Sdn Bhd	-	-	-	-	-	-	2,500	NA	-	-
				Expenses paid on behalf by Nagano Development Sdn Bhd	22	NA	9	NA	22	NA	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value: FYE 2017 RM'000	FYE 2017 %	FYE 2018 RM'000	FYE 2018 %	FYE 2019 RM'000	FYE 2019 %	FYE 2020 RM'000	FYE 2020 %	1 January 2021 up to LPD RM'000	1 January 2021 up to LPD %
Nagano Development Sdn Bhd	Nestcon Infra	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder on and a director and major shareholder of Nagano Development Sdn Bhd	Expenses paid on behalf by Nagano Development Sdn Bhd	-	-	6	NA	11	NA	-	-	-	-
Nagano Holdings Sdn Bhd	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director of Nagano Holdings Sdn Bhd	Expenses paid on behalf by Nagano Holdings Sdn Bhd	40	NA	-	-	-	-	-	-	-	-
Nestcity Cemerlang Sdn Bhd (formerly known as Nestcon Cemerlang Sdn Bhd)	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Nestcity Cemerlang Sdn Bhd	Advances to Nestcity Cemerlang Sdn Bhd	-	-	(3,394)	NA	-	-	-	-	-	-
				Repayment from Nestcity Cemerlang Sdn Bhd	-	-	-	-	3,394	NA	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2017		FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Nestcity Development Sdn Bhd (formerly known as Nestcon Development Sdn Bhd)	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Nestcity Development Sdn Bhd	Advances to Nestcity Development Sdn Bhd	-	-	-	-	(3,000)	NA	-	-	-	-
				Repayment from Nestcity Development Sdn Bhd	-	-	-	-	-	-	3,000	NA	-	-
Nescaya Etika Sdn Bhd (formerly known as Nestcon Engineering Sdn Bhd)	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Nescaya Etika Sdn Bhd	Contract cost charged by Nescaya Etika Sdn Bhd for Peaks Project	-	-	(2,837)	[3]1.5	(3,741)	[3]1.0	-	-	-	-
				Advances to Nescaya Etika Sdn Bhd	-	-	(2,341)	NA	(1,760)	NA	-	-	-	-
				Repayment from Nescaya Etika Sdn Bhd	-	-	-	-	-	-	1,380	NA	-	-
Nestcon Hailong[4]	Nestcon Infra	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a Director of Nestcon Hailong	Rental income charged to Nestcon Hailong	-	-	110	[2]0.1	-	-	-	-	-	-
				Administrative fee charged to Nestcon Hailong	-	-	-	-	36	[5]2.9	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2017		FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Nestcity Property Sdn Bhd (formerly known as Nestcon Holdings Sdn Bhd)	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Nestcity Property Sdn Bhd	Progress billing to Nestcity Property Sdn Bhd for Peaks Project	-	-	2,638	(2)1.2	3,941	(2)0.9	-	-	-	-
				Expenses paid on behalf by Nestcity Property Sdn Bhd	3	NA	-	-	-	-	-	-	-	-
Jurutera Perunding Pesona Rekabina Sdn Bhd	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Jurutera Perunding Pesona Rekabina Sdn Bhd	Expenses paid on behalf for Jurutera Perunding Pesona Rekabina Sdn Bhd	(46)	NA	(6)	NA	-	-	-	-	-	-
Picoland Sdn Bhd	Nestcon Builders	Datuk Ir. Dr. Lim	Datuk Ir. Dr. Lim is our Director and substantial shareholder and a director and major shareholder of Picoland Sdn Bhd	Advances to Picoland Sdn Bhd	-	-	-	-	(5,000)	NA	-	-	-	-
				Repayment from Picoland Sdn Bhd	-	-	-	-	-	-	5,000	NA	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value: FYE 2017 RM'000	FYE 2017 %	FYE 2018 RM'000	FYE 2018 %	FYE 2019 RM'000	FYE 2019 %	FYE 2020 RM'000	FYE 2020 %	1 January 2021 up to LPD RM'000	1 January 2021 up to LPD %
Super Bolt Hardware Sdn Bhd	Nestcon Builders	Ong Yong Chuan	Ong Yong Chuan is our Director and substantial shareholder and a director and major shareholder of Super Bolt Hardware Sdn Bhd	Purchase of materials from Super Bolt Hardware Sdn Bhd	(938)	(3)0.5	(2,117)	(3)1.1	(3,145)	(3)0.8	(2,180)	(3)0.7	(369)	(3)0.3

Notes:

(1) Calculated based on our Group's total administrative expenses for each of the respective financial years/period.

(2) Calculated based on our Group's revenue for each of the respective financial years/period.

(3) Calculated based on our Group's cost of sales for each of the respective financial years/period.

(4) Moving forward, there will be no more transaction with Nestcon Hailong as it has ceased operations since 2019. On 24 December 2020, Nestcon Hailong, being an associate previously held by Nestcon Infra has been struck off from the register of the ROC.

(5) Calculated based on our Group's other income for the financial year.

(6) We rent the meeting room located at No. 1-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47170 Puchong, Selangor from Datuk Ir. Dr. Lim for our usage from time to time and there was no written tenancy signed previously. However moving forward, we will rent the entire office unit located at No. 1-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47170 Puchong, Selangor which will be formalised via a tenancy agreement with Datuk Ir. Dr. Lim.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Save for the rental of our offices from Datuk Ir. Dr. Lim, there are no subsisting agreements with related parties after our Listing. The total rental expense from such rental is less than RM0.10 million per annum and the tenancy will expire on 31 December 2021. Further details on the rental are set out in Section 6.9.2. Our Audit Committee has reviewed the current rental terms for the rental of our offices from Datuk Ir. Dr. Lim and is of the opinion that it is fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders of our Group and is in the best interest to our Group.

The renewal terms of such rental will be reviewed by our Audit Committee and our Board shall seek the relevant approval from our shareholders to enter into such recurrent related party transaction at a general meeting.

The Nest Residence Project and Peaks Project were directly awarded to us by Nagano Development Sdn Bhd and Nestcity Property Sdn Bhd respectively, where the value of the contracts were derived by us based on competitive cost-plus method. For the Nest Residence Project, we were able to earn a GP margin of 15.4% due to our proposed value engineering which reduced construction cost and resulted in higher profit earned.

Save as disclosed below, our Directors are of the view that all our related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties.

The transactions in relation to expenses paid on behalf of our related parties or by our related parties on our behalf, advances from our Directors and advances given to our related parties were not conducted on arm's length basis as they were interest free. However, all such payments on behalf and advances have been fully settled by the related parties as at the date of this Prospectus, and moving forward, we will no longer pay on behalf or receive payments on our behalf and provide or receive any advances to or from our related parties.

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10. RELATED PARTY TRANSACTIONS *(Cont'd)*

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

(i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or

(ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

(i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;

(ii) The rationale for the Group to enter into the related party transaction and the nature of alternative transactions, if any; and

(iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

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

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2017 to FYE 2020 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at the date of this Prospectus, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

(i) Our Directors, namely Datuk Ir. Dr. Lim and Ong Yong Chuan have jointly and severally provided personal guarantees for the banking and leasing facilities extended by Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Factorlease Berhad, MBSB Bank Berhad, OCBC Bank (Malaysia) Berhad, Hap Seng Credit Sdn Bhd, Malayan Banking Berhad, OCBC AL-Amin Bank Berhad, Orix Leasing Malaysia Berhad, United Overseas Bank (Malaysia) Berhad, Caterpillar Financial Services Malaysia Sdn Bhd, BMW Credit (Malaysia) Sdn Bhd and Public Bank Berhad ("**Financiers**").

In conjunction with the Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Directors will continue to guarantee the banking facilities extended to our Group.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

As at the date of this Prospectus, we have received conditional approvals from CIMB Factorlease Berhad, OCBC Bank (Malaysia) Berhad, OCBC AL-Amin Bank Berhad, United Overseas Bank (Malaysia) Berhad, Caterpillar Financial Services Malaysia Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad, AmBank (M) Berhad, BMW Credit (Malaysia) Sdn Bhd, MBSB Bank Berhad, Hong Leong Bank Berhad, Hap Seng Credit Sdn Bhd and Orix Leasing Malaysia Berhad to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

Since our request to discharge our Directors' personal guarantees from Alliance Bank Malaysia Berhad remains pending as at LPD, we had on 10 May 2021 informed the said bank of our intention to fully settle the outstanding amount of approximately RM0.68 million as at LPD and discharge all securities. We undertake to settle the outstanding amount prior to our Listing subject to receiving the redemption statement. Moving forward, we will not undertake any credit facilities which require personal guarantees of our Directors and/or our shareholders.

(ii) Nestcon Builders had provided corporate guarantee for the banking facilities extended by Malayan Banking Berhad to Picoland Sdn Bhd, a company where our Group Managing Director, Datuk Ir. Dr. Lim is also a director and substantial shareholder.

In conjunction with the Listing, we have applied to obtain a release and/or discharge of the corporate guarantee provided and Malayan Banking Berhad had vide its letter dated 22 October 2020, consented to discharge the corporate guarantee provided subject to our Listing by 18 October 2021. Our Promoter, Datuk Ir. Dr. Lim has undertaken to procure Picoland Sdn Bhd to obtain a release and/or discharge of the corporate guarantee provided subject to our Listing.

10.2.3 Promotions of any material assets acquired/to be acquired within 4 financial years preceding the date of this Prospectus

None of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2017 to FYE 2020, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us.

10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

(a) Agreement dated 10 March 2020 between Nestcon Builders and M&A Securities for the appointment of M&A Securities as Adviser, Placement Agent and Sponsor for our Listing; and

(b) Underwriting Agreement dated 3 May 2021 entered into between our Company and M&A Securities for the underwriting of 64,384,000 Issue Shares.

11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CLIENTS AND SUPPLIERS

As at LPD, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group.

Save as disclosed below, none of our Directors and/or substantial shareholders have interest in the business of our clients and/or suppliers as at LPD:

Name of company	Principal activities	Nature of interest
Nagano Development Sdn Bhd ("**Nagano Development**")	Property development	Datuk Ir. Dr. Lim is our Group Managing Director and major shareholder. He is also a director and major shareholder of Nagano Development
Nestcity Property Sdn Bhd (formerly known as Nestcon Holdings Sdn Bhd) ("**Nestcity Property**")	Property development	Datuk Ir. Dr. Lim is our Group Managing Director and major shareholder. He is also a director and major shareholder of Nestcity Property
Nescity Cemerlang Sdn Bhd (formerly known as Nestcon Cemerlang Sdn Bhd) ("**Nestcity Cemerlang**")	Property development	Datuk Ir. Dr. Lim is our Group Managing Director and major shareholder. He is also a director and major shareholder of Nestcity Cemerlang
Super Bolt Hardware Sdn Bhd ("**Super Bolt**")	Trading in hardware and machinery	Ong Yong Chuan is our Executive Director and major shareholder. He is also a director and major shareholder of Super Bolt

Our Group will remain focused in the construction services for both civil engineering and infrastructure works as well as building construction works. Our Group has no intention to venture into property development or ancillary businesses which are currently being held by our Directors and substantial shareholders.

11.1.1 Clients of our Group

During FYE 2017 to FYE 2020, Nestcon Builders or Nestcon Infra have dealt with:

(a) Nagano Development, in respect of its development of Nest Residence Project where Nestcon Builders was the main contractor. The transaction values amounted to RM58.55 million, RM57.86 million and RM22.08 million for FYE 2017, FYE 2018 and FYE 2019 respectively;

(b) Nestcity Property, in respect of its development of Peaks Project where Nestcon Builders was the main contractor. The transaction values amounted to RM2.64 million, and RM3.94 million for FYE 2018 and FYE 2019 respectively; and

(c) Nestcon Hailong, in respect of rental income arising from the rental of heavy machineries from Nestcon Infra. The transaction value amounted to RM0.11 million, for FYE 2018.

The Nest Residence Project and Peaks Project were completed in FYE 2019 and we do not expect further transactions in relation to the projects save for the finalisation of the project accounts. Moving forward, our Group also does not expect to have further transactions with Nagano Development and Nestcity Property as they do not have any more land bank for development. As at the date of this Prospectus, Nestcon Hailong has ceased operations and on 24 December 2020, Nestcon Hailong has been struck off from the register of the ROC.

In FYE 2021, Nestcity Cemerlang as the property developer for Nest2 Project has appointed Nescaya Etika Sdn Bhd (formerly known as Nestcon Engineering Sdn Bhd) as the main contractor, which subsequently appointed Nestcon Builders as the principal works contractor. The contract value is RM89.10 million. Nescaya Etika Sdn Bhd (formerly known as Nestcon Engineering Sdn Bhd) is not a related party to our Group.

11.1.2 Suppliers of our Group

During FYE 2017 to FYE 2020, Nestcon Builders in its capacity as contractor has dealt with:

(i) Nescaya Etika Sdn Bhd (formerly known as Nestcon Engineering Sdn Bhd) ("**Nescaya**"), in respect of the development of Peaks Project where Nescaya was a subcontractor. As at LPD, Datuk Ir. Dr. Lim has resigned as Director and disposed his entire shareholdings to the other existing shareholder of Nescaya. The transaction values amounted to RM2.84 million and RM3.74 million for FYE 2018 and FYE 2019 respectively; and

(ii) Super Bolt for the supplies of hardware products for our building construction projects. The transaction values amounted to RM0.94 million, RM2.12 million, RM3.15 million and RM2.18 million for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively.

Our Board is of the view that the interests of our Directors or major shareholders in the above companies which are our clients or suppliers do not give rise to a conflict of interest situation based on the following:

(a) Our Directors are not involved in the day-to-day operations of the above businesses as their daily operations are managed by the respective companies' personnel, and they only attend meeting of the board of directors on which they serve and accordingly discharge their principal areas of responsibilities as directors of those companies;

(b) All the transactions carried out with the above companies were on arm's length basis, on normal commercial terms which are not more favourable to our related parties than those generally available to the public, and are not to the detriment of our minority shareholders; and

(c) The above clients and suppliers are not major clients and suppliers of our Group, and we are not dependent on them for our business operations.

11. CONFLICT OF INTEREST *(Cont'd)*

However, we expect to have future dealings with other companies held by our Directors and substantial shareholders involved in property development or ancillary sectors such as Nestcity Development Sdn Bhd, Picoland Sdn Bhd and Super Bolt. We have established procedures for related party transactions to ensure that they are carried out on an arm's length basis, on normal commercial terms which are not more favourable to our related parties than those generally available to the public, and are not to the detriment of our minority shareholders. Please refer to our procedures as disclosed in Section 10.1.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will first then evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

(a) Immediately inform our Board of the conflict of interest situation;

(b) Make recommendations to our Board to direct the conflicted Director to:

  (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

  (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected with him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected with him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected with them) or companies in which our Directors (or person connected with them) have an interest, our Audit Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

(a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(b) Eco Asia Capital Advisory Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Financial Adviser for our Listing. Its scope of work as Financial Adviser includes the following:

(i) To conceptualise and advise on our Group's restructuring, equity and corporate structure in preparation for our Listing;

(ii) To assist our Group in compiling information and documents for our Listing;

(iii) To assist in reviewing the draft documents prepared by the relevant advisers in relation to our Listing; and

(iv) To assess and advise on any other issues relevant to our Listing.

(c) Teh & Lee has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.

(d) Ecovis Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.

(e) Protégé Associates Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout FYE 2017 to FYE 2020 has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our Company was incorporated on 10 March 2020 to facilitate our Listing, and we completed the Acquisitions on 18 March 2021. Both Nestcon Builders and Nestcon Infra have been under the common control of our Promoters throughout FYE 2017 to FYE 2020 and are regarded as continuing entities. As such, the historical financial information of our Group for FYE 2017 to FYE 2020 is presented based on the combined audited financial statements of Nestcon Builders and Nestcon Infra.

12.1.1 Combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2017 to FYE 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	190,857	217,764	422,786	344,479
Cost of sales	(173,273)	(190,430)	(384,910)	(311,196)
GP	**17,584**	**27,334**	**37,876**	**33,283**
Other income	164	980	1,232	1,327
Administrative expenses	(7,863)	(11,444)	(11,953)	(10,316)
Other operating expenses	(45)	(45)	(296)	(536)
Profit from operations	**9,840**	**16,825**	**26,859**	**23,758**
Finance costs	(1,291)	(2,451)	(4,677)	(4,547)
Share of loss in an associate	(1)-	-	-	-
PBT	**8,549**	**14,374**	**22,182**	**19,211**
Taxation	(2,606)	(4,473)	(6,415)	(4,910)
PAT/ total comprehensive income	**5,943**	**9,901**	**15,767**	**14,301**
PAT/ total comprehensive income attributable to:				
Owners of the Company	5,483	7,455	14,587	14,301
Non-controlling interests	460	2,446	1,180	-
	5,943	**9,901**	**15,767**	**14,301**
EBIT (2)	9,762	16,825	26,248	23,044
EBITDA (2)	13,455	24,093	36,764	34,452
GP margin (%) (3)	9.2	12.6	9.0	9.7
PBT margin (%) (4)	4.5	6.6	5.2	5.6
PAT margin (%) (4)	3.1	4.5	3.7	4.2
Basic EPS (sen) (5)	1.14	1.54	3.02	2.96
Diluted EPS (sen) (6)	0.85	1.16	2.27	2.22

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) Represents less than RM1,000.

(2) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	5,943	9,901	15,767	14,301
Less:				
Interest income	(78)	[(a)]-	(611)	(714)
Add:				
Finance costs	1,291	2,451	4,677	4,547
Taxation	2,606	4,473	6,415	4,910
EBIT	**9,762**	**16,825**	**26,248**	**23,044**
Add:				
Depreciation	3,693	7,268	10,516	11,408
EBITDA	**13,455**	**24,093**	**36,764**	**34,452**

Note:

(a) Represents less than RM1,000.

(3) Calculated based on GP over revenue.

(4) Calculated based on PBT or PAT over revenue.

(5) Calculated based on PAT attributable to owners of the Company and share capital of 482,866,600 Shares in issue before IPO.

(6) Calculated based on PAT attributable to owners of the Company and enlarged share capital of 643,822,000 Shares after IPO.

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12.1.2 Combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 31 December 2017, 2018, 2019 and 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	31 December 2017	**31 December 2018**	**31 December 2019**	**31 December 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current assets				
Property, plant and equipment	34,304	61,876	64,574	63,032
Investment properties	2,179	2,134	2,660	3,260
Investment in an associate	-	-	-	-
Other investments	-	-	-	1,941
Deferred tax assets	145	-	-	568
Trade receivables	36,890	29,361	26,203	38,168
	73,518	93,371	93,437	106,969
Current assets				
Trade receivables	74,478	67,991	90,780	90,493
Other receivables, deposits and prepayments	4,215	6,587	11,609	11,544
Contract assets	2,685	19,252	61,530	46,124
Amount due from related parties	46	8,085	11,880	-
Tax recoverable	75	-	-	-
Other investment	-	-	3,023	74
Fixed deposit with financial institutions	4,780	9,849	14,954	28,128
Cash and bank balances	17,345	17,042	40,701	59,198
	103,624	128,806	234,477	235,561
Total assets	**177,142**	**222,177**	**327,914**	**342,530**
Equity				
Share capital	-	-	-	(1)-
Invested equity	4,950	4,950	10,400	10,400
Retained earnings	25,480	30,935	47,544	61,845
Total equity attributable to owners of the Company	30,430	35,885	57,944	72,245
Non-controlling interests	3,046	5,492	-	-
Total equity	33,476	41,377	57,944	72,245
Non-current liabilities				
Trade payables	12,351	15,990	13,157	17,266
Bank borrowings	747	699	316	3,460
Lease liabilities	10,060	26,273	19,095	12,586
Deferred tax liabilities	767	2,877	3,912	2,833
	23,925	45,839	36,480	36,145
Current liabilities				
Trade payables	72,268	76,777	146,173	137,130
Other payables and accruals	6,440	4,700	7,590	6,372
Contract liabilities	15,709	6,361	30,430	24,917
Amount due to related parties	9	-	-	-
Amount due to Directors	8,824	10,928	9	-

	Audited			
	31 December 2017	**31 December 2018**	**31 December 2019**	**31 December 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bank borrowings	5,551	20,054	30,962	47,734
Lease liabilities	6,357	12,998	14,638	13,088
Income tax payable	4,583	3,143	3,688	4,899
	119,741	134,961	233,490	234,140
Total liabilities	143,666	180,800	269,970	270,285
Total equity and liabilities	**177,142**	**222,177**	**327,914**	**342,530**

Note:

(1) Represents less than RM1,000.

12.1.3 Combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2017 to FYE 2020 which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
PBT	8,549	14,374	22,182	19,211
Adjustments for:				
Depreciation of property, plant and equipment	3,648	7,223	10,475	11,356
Depreciation of investment properties	45	45	41	52
Gain on disposal of property, plant and equipment	(30)	(183)	(87)	(168)
Gain on remeasurement of lease liabilities	-	-	-	(29)
Interest expenses	1,291	2,451	4,677	4,547
Interest income	(78)	(1)-	(611)	(714)
Loss on disposal of investment properties	-	-	20	-
Property, plant and equipment written off	-	-	235	484
Share of loss in an associate	(1)-	-	-	-
Operating profit before changes in working capital	13,425	23,910	36,932	34,739
Changes in working capital:				
Decrease/(increase) in trade and other receivables	63,070	11,644	(24,654)	(11,613)
(Decrease)/increase in trade and other payables	(39,764)	6,409	69,451	(6,152)
Decrease/(increase) in contract assets	2,518	(16,567)	(42,278)	15,406
Increase/(decrease) in contract liabilities	3,019	(9,348)	24,069	(5,153)
Cash generated from operations	42,268	16,048	63,520	26,867

12. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Interest received	78	[(1)]-	75	83
Income tax paid	(1,795)	(3,624)	(5,804)	(5,415)
Income tax refunded	-	42	969	68
Net cash generated from operating activities	**40,551**	**12,466**	**58,760**	**21,603**
Cash flows from investing activities				
Addition of other investments	-	-	(3,023)	(2,021)
Proceeds from disposal of other investments	-	-	-	3,028
Interest received	-	-	-	119
Investment in an associate	[(1)]-	-	-	-
Proceeds from disposal of property, plant and equipment	80	605	1,533	499
Proceeds from disposal of investment properties	-	-	680	-
Purchase of investment properties	-	-	(1,267)	(651)
Purchase of property, plant and equipment	(4,561)	(4,823)	(5,102)	(4,638)
Net cash used in investing activities	**(4,481)**	**(4,218)**	**(7,179)**	**(3,664)**
Cash flows from financing activities				
Dividend paid	-	(2,000)	(2,200)	-
Interest paid	(1,291)	(2,451)	(4,677)	(4,547)
Issuance of shares	-	-	-	[(1)]-
Interest received	-	-	536	511
Placement of pledged deposits with financial institutions	(4,780)	(5,069)	(5,105)	(8,174)
Movement in restricted cash at bank[(2)]	-	(685)	(10,518)	(5,858)
(Advances to)/Repayment received from related parties, net	(1,011)	(8,048)	(3,795)	11,880
Advances from/(repayment to) Directors, net	2,816	2,104	(7,919)	(9)
Repayment of lease liabilities	(1,853)	(7,542)	(15,287)	(14,020)
Drawdown of term loans	-	-	-	3,865
Repayment of term loans	(44)	(46)	(406)	(150)
Net movement of factoring payable	(23,896)	12,124	2,581	(2,221)
Net cash used in financing activities	**(30,059)**	**(11,613)**	**(46,790)**	**(18,723)**
Net increase/(decrease) in cash and cash equivalents	**6,011**	**(3,365)**	**4,791**	**(784)**
Cash and cash equivalents at beginning of financial year	5,831	11,842	8,477	13,268
Cash and cash equivalents at end of financial year	**11,842**	**8,477**	**13,268**	**12,484**

Notes:

(1) Represents less than RM1,000.

(2) Restricted cash at bank relates to the sinking fund account for our bank overdraft facilities where the bank has a fixed charge over the said sinking fund account.

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

The following discussion and segmental analysis of our combined financial statements for FYE 2017 to FYE 2020 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations

(a) Principal activities

Our Group is principally involved in the business of securing and carrying out construction activities for building, civil engineering and infrastructure contracts.

Please refer to Section 7 for our Group's detailed business overview.

(b) Revenue

Our Group's revenue for the financial years under review was derived from the provision of construction works. The construction services offered by our Group can be categorised into 2 main segments namely building, and civil engineering and infrastructure.

Revenue is recognised upon rendering of services. When the outcome of a construction contract can be reliably estimated, contract revenue is recognised as revenue by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for works performed to date to the estimated total contract costs.

When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

Our construction revenue are mainly recognised over the contract period according to the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Nevertheless, for certain civil engineering and infrastructure projects which are transferred to the clients at a point in time instead of over the period of the construction contract, such revenue is recognised at a point in time when the client obtains control over the asset.

(c) Cost of sales

Our cost of sales comprises subcontractors cost, purchase of construction materials, direct labour cost and preliminaries as follows:

(i) Subcontractors cost

We engage subcontractors for various specialist works such as M&E engineering works, piping and plumbing works, external painting works and water proofing works. As subcontractors cost constitute a major component in our cost of sales, we practise a prudent selection process before engaging our subcontractors.

(ii) Purchase of materials

Our Group's direct materials mainly consist of construction materials such as steel bars and wire mesh, ready-mixed concrete, sanitary wares, tiles, cement, grout and adhesives, timber and plywood, hollow section and galvanised iron pipes, electrical items, bricks, diesel, and quarry products.

We generally purchase our construction materials based on our projects' requirements. These raw materials are widely available in Malaysia and sourced from our large base of approved suppliers. Our approved suppliers are selected based on their pricing, availability and lead time for delivery. In addition, we also purchase our construction materials from suppliers nominated by our clients. Whilst we have maintained long term business relationship with our approved list of suppliers, we also source for raw materials from new suppliers, if the need arises.

(iii) Direct labour cost

Our direct labour comprises wages for workers who are employed directly by us and those outsourced from domestic labour subcontractors.

(iv) Preliminaries

Preliminaries are general miscellaneous expenses incurred over the course of a project. Certain general preliminaries expenses may not be identifiable to any work stages in the construction contract such as hire of vehicles, rental of equipment and premises, upkeep expenses, fuel & diesel, utilities, projects levy, insurances, depreciation of property, plant and equipment and costs related to safety, health and welfare.

When the outcome of a construction contract can be reliably estimated, contract costs are recognised as expenses by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to-date in proportion to the estimated total contract costs. Costs incurred in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be reliably estimated, contract cost is recognised as expense in the period which it is incurred.

Irrespective of whether the outcome of a construction contract can be reliably estimated, when it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Provision is made for all anticipated losses on construction work. Provision for warranties is made for expected/estimated repair costs for making good certain defects and damages during the warranty periods.

When costs incurred on construction contracts plus recognised profits (less recognised losses) exceed progress billings, the balance is shown as contract assets in the financial position. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as contract liabilities in the financial position.

(d) Other income

Other income mainly comprises interest income, insurance compensation and gain on disposal of property, plant and equipment.

(e) Administrative expenses

Administrative expenses mainly consist of overheads incurred to maintain our operations such as staff costs, directors' remuneration, depreciation of property, plant and equipment, professional fees, upkeep expenses, stamp duty, insurance and road tax.

(f) Other operating expenses

Other operating expenses relate to expenses incurred which are not directly related to our operations such as property, plant and equipment written off, depreciation of investment properties and loss on disposal of investment properties.

(g) Finance cost

Finance cost comprises factoring interest, lease liabilities interest, bank overdraft interest and term loan interest.

(h) Others

(i) Retention sum in trade receivables

Retention sum is a percentage of contract value, generally 10.0% of each progress billing, up to a maximum of 5.0% of the contract sum that is retained by our client as follows:

(i) entire retention sum to be retained throughout the contract period until the issuance of CPC; and

(ii) half of the retention sum to be retained until the end of the DLP and upon issuance of CMGD.

Retention sum which are due within 12 months are recognised as current trade receivables while those which are due after 12 months are recognised as non-current trade receivables.

(ii) Retention sum in trade payables

Similarly, we also retain 10.0% of each certified work done against our subcontractors as retention sum, up to a maximum of 5.0% of the awarded subcontract value as follows:

(i) entire retention sum to be retained throughout the contract period until the issuance of CPC; and

(ii) half of the retention sum to be retained until the end of the DLP and upon issuance of CMGD.

Retention sum which are payable within 12 months are recognised as current trade payables while those which are payable after 12 months are recognised as non-current trade payables.

12. FINANCIAL INFORMATION *(Cont'd)*

(i) Recent developments

Save for the Acquisitions and the interruptions in our business due to Covid-19 and MCO as disclosed in Section 7.8, there were no other significant events subsequent to our Group's audited combined financial statements for FYE 2020.

(j) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2017 to FYE 2020. In addition, our audited financial statements for the financial years under review were not subject to any audit qualifications.

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12.2.2 Review of our results of operations

(a) Revenue

Analysis of revenue by segment

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Building segment								
- Residential	149,465	78.3	138,628	63.6	165,340	39.1	68,458	19.9
- Commercial & industrial	3,903	2.0	-	-	20,800	4.9	51,678	15.0
- Mixed development	12,679	6.7	21,258	9.8	60,651	14.4	79,311	23.0
	166,047	87.0	159,886	73.4	246,791	58.4	199,447	57.9
Civil engineering and infrastructure segment	21,764	11.4	54,396	25.0	175,933	41.6	145,032	42.1
Others[2]	3,046	1.6	3,482	1.6	62	[1]-	-	-
	190,857	**100.0**	**217,764**	**100.0**	**422,786**	**100.0**	**344,479**	**100.0**

Notes:

(1) Represents less than 0.1%.

(2) Rental income arising from the rental of heavy machineries to our clients, which accounted for less than 2.0% of our revenue from FYE 2017 to FYE 2019. The decrease in FYE 2019 was due to the completion of our client's infrastructure works project which resulted in cessation of the rental of our heavy machineries.

Our revenue for the financial years under review are mainly derived from the building segment, which accounted for more than 55.0% of our revenue from FYE 2017 to FYE 2020.

12. FINANCIAL INFORMATION *(Cont'd)*

Major construction projects contributing to our revenue during the financial years under review are as follows:

(i) Building segment

No.	Project	Client Name	Segment	Contract Period	Total Contract Sum	Revenue Recognised				Remaining Contract Sum
						FYE 2017	FYE 2018	FYE 2019	FYE 2020	
					RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.	Petalz Project	EXSIM Group	Mixed development	September 2014 to May 2017	1,157,327	12,679	-	-	-	-
2.	Scarletz Project	EXSIM Group	Commercial & industrial	February 2019 to November 2021		-	-	20,800	51,678	467,522
3.	Mossaz and Paxtonz Project	EXSIM Group	Mixed development	June 2019 to October 2022		-	-	17,962	25,034	
4.	Nidoz Project	EXSIM Group	Residential	September 2016 to June 2020		107,394	69,570	126,183	30,681	
5.	Nest Residence Project [(1)]	Nagano Development Sdn Bhd	Residential	August 2016 to February 2019	162,561	41,584	66,607	28,748	-	-
6.	Grand Project	Mediaraya Sdn Bhd	Mixed development	May 2018 to March 2021[(2)]	123,570	-	21,258	42,650	43,302	16,360

No.	Project	Client Name	Segment	Contract Period	Total Contract Sum	Revenue Recognised				Remaining Contract Sum
						FYE 2017	FYE 2018	FYE 2019	FYE 2020	
					RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
7.	Panorama Project	LLC Infra Sdn Bhd (a subsidiary of LLC Berhad)	Residential	July 2019 to December 2021	96,500	-	-	6,763	32,035	57,702
8.	Kuchai Sentral Project	Altimas Sdn Bhd (a subsidiary of Menta Land Sdn Bhd)	Mixed development	April 2020 to March 2023	241,800	-	-	-	10,975	230,825
					Total	**161,657**	**157,435**	**243,106**	**193,705**	

Notes:

(1) Nest Residence Project was awarded by our related party, Nagano Development Sdn Bhd. The GP margin for our Group's building segment for FYE 2017 to FYE 2020 ranged from 7.1% to 10.1%. We were able to earn a higher GP margin (15.4%) for this project due to our proposed value engineering which reduced construction cost and resulted in higher profit earned.

(2) As at LPD, we are still awaiting reply from our client for the proposed completion date of July 2021. Please refer to Section 7.8 for further details.

(ii) Civil engineering and infrastructure segment

No.	Project	Client Name	Contract Period	Total Contract Sum	Revenue Recognised				Remaining Contract Sum
					FYE 2017	FYE 2018	FYE 2019	FYE 2020	
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.	Removal of soil located at Gua Musang, Kelantan	Syabas Tiara Sdn Bhd	January 2017 to April 2019	6,541	2,541	3,550	450	-	-

12. FINANCIAL INFORMATION *(Cont'd)*

No.	Project	Client Name	Contract Period	Total Contract Sum	Revenue Recognised				Remaining Contract Sum
					FYE 2017	FYE 2018	FYE 2019	FYE 2020	
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2.	Provision of earthworks for power plant located at Alor Gajah, Melaka	Loh & Loh Constructions Sdn Bhd	April 2017 to October 2017	15,547	15,547	-	-	-	-
3.	Provision of earthworks at Kertih, Terengganu	China Communications Construction (ECRL) Sdn Bhd	October 2017 to April 2018	2,561	1,551	1,010	-	-	-
4.	Provision of earthworks, retaining wall and upgrading of drainage system located at Mukim Ampangan, Negeri Sembilan	Bright Term Sdn Bhd	November 2017 to December 2018	9,614	493	9,121	-	-	-
5.	Melaka Gateway Project	Hai Feng Shipping Sdn Bhd	December 2017 to October 2018	9,941	-	9,941	-	-	-
6.	Provision of earthworks to construct underpass at Sungai Pendas Bridge located at Sunway Iskandar, Johor	Sunway Iskandar Development Sdn Bhd	April 2018 to February 2019	9,623	-	8,081	1,542	-	-

12. FINANCIAL INFORMATION *(Cont'd)*

No.	Project	Client Name	Contract Period	Total Contract Sum	Revenue Recognised				Remaining Contract Sum
					FYE 2017	FYE 2018	FYE 2019	FYE 2020	
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
7.	Railway Project	Client A	May 2018 to July 2021	[1]	-	21,393	151,465	110,967	[1]
8.	Provision of elevated roadworks at Damansara Perdana, Selangor	EXSIM Group	March 2019 to August 2021	85,000	-	-	20,589	11,538	52,873
9.	Provision of earthworks and drainage works for bridge crossing and link road located at Johor	China Communications Construction Company (M) Sdn Bhd	August 2019 to March 2022	39,213	-	-	1,843	6,406	30,964
10.	Provision of construction and completion of subgrade earthworks at Kertih, Terengganu	China Communications Construction (ECRL) Sdn Bhd	May 2020 to April 2022	26,720	-	-	-	4,448	22,272
11.	Provision of earthworks at Damansara Perdana, Selangor	Binastra Construction (M) Sdn Bhd	May 2020 to December 2020	6,000	-	-	-	6,000	-
				Total	**20,132**	**53,096**	**175,889**	**139,359**	

Note:

(1) Due to the confidentiality agreement with Client A, we are unable to disclose the contract sum for the Railway Project.

Comparison between FYE 2017 and FYE 2018

Our Group's total revenue increased by RM26.90 million or 14.1% from RM190.86 million in FYE 2017 to RM217.76 million in FYE 2018. The increase in revenue was mainly due to higher revenue recognised from our civil engineering and infrastructure segment which increased by RM32.64 million or 150.0% from RM21.76 million in FYE 2017 to RM54.40 million in FYE 2018.

Building segment

Revenue from our building segment decreased by RM6.16 million or 3.7% from RM166.05 million in FYE 2017 to RM159.89 million in FYE 2018. The decrease in revenue was mainly attributable to:

(i) decrease in revenue recognised from Nidoz Project by RM37.82 million or 35.2% from RM107.39 million in FYE 2017 to RM69.57 million in FYE 2018 mainly due to lower percentage of completion recognised in FYE 2018 based on the cost incurred method. Higher cost were incurred in the previous year for earthworks, piling works and construction of podium during the initial construction stage; and

(ii) lesser revenue recognised in FYE 2018 due to the completion of Petalz Project which contributed revenue of RM12.68 million in FYE 2017 and Nouvelle Industrial Park Project which contributed RM3.90 million in FYE 2017.

The decrease in revenue from our building segment was partially offset by higher level of construction activities or project commencement from the following projects:

(i) higher revenue recognised from Nest Residence Project by RM25.03 million or 60.2% from RM41.58 million in FYE 2017 to RM66.61 million in FYE 2018;

(ii) commencement of Grand Project which contributed RM21.26 million in FYE 2018; and

(iii) higher revenue recognised from Peaks Project by RM1.96 million from RM0.49 million in FYE 2017 to RM2.45 million in FYE 2018.

Civil engineering and infrastructure segment

Revenue from our civil engineering and infrastructure segment increased by RM32.64 million or 150.0% from RM21.76 million in FYE 2017 to RM54.40 million in FYE 2018. The increase in revenue was mainly attributable to:

(i) commencement of Railway Project which contributed RM21.39 million in FYE 2018;

(ii) commencement and completion of Melaka Gateway Project which contributed RM9.94 million in FYE 2018;

(iii) higher level of construction activities for an existing project for provision of earthworks, retaining wall and upgrading of drainage system located at Mukim Ampangan, Negeri Sembilan which resulted an increase in revenue recognised by RM8.63 million from RM0.49 million in FYE 2017 to RM9.12 million in FYE 2018; and

(iv) commencement of a new project for provision of earthworks to construct underpass at Sungai Pendas Bridge located at Sunway Iskandar, Johor which contributed RM8.08 million in FYE 2018.

The increase in revenue from our civil engineering and infrastructure segment was partially offset by completion of 2 civil engineering and infrastructure projects namely removal of soil located at Temusu Mukah, Sarawak and provision of earthworks for power plant located at Alor Gajah, Melaka which collectively contributed to a total revenue of RM17.39 million in FYE 2017.

Comparison between FYE 2018 and FYE 2019

Our Group's total revenue increased significantly by RM205.03 million or 94.2% from RM217.76 million in FYE 2018 to RM422.79 million in FYE 2019. Both our building and civil engineering and infrastructure segments recorded higher revenue by RM86.90 million and RM121.53 million or 54.4% and 223.4% respectively mainly due to higher level of construction activities and commencement of new projects during FYE 2019.

Building segment

Revenue from our building segment increased by RM86.90 million or 54.4% from RM159.89 million in FYE 2018 to RM246.79 million in FYE 2019. The increase in revenue was mainly attributable to:

(i) higher revenue recognised from Nidoz Project by RM56.61 million or 81.4% from RM69.57 million in FYE 2018 to RM126.18 million in FYE 2019;

(ii) higher revenue recognised from Grand Project by RM21.39 million or 100.6% from RM21.26 million in FYE 2018 to RM42.65 million in FYE 2019;

(iii) commencement of Scarletz Project which contributed RM20.80 million in FYE 2019;

(iv) commencement of Mossaz and Paxtonz Project which contributed RM17.96 million in FYE 2019; and

(v) commencement of Panorama Project which contributed RM6.76 million in FYE 2019.

The increase in revenue from our building segment was partially offset by the decrease in revenue recognised for Nest Residence Project by RM37.86 million or 56.8% from RM66.61 million in FYE 2018 to RM28.75 million in FYE 2019 due to the completion of the project during the financial year.

Civil engineering and infrastructure segment

Revenue from our civil engineering and infrastructure segment increased significantly by RM121.53 million or 223.4% from RM54.40 million in FYE 2018 to RM175.93 million in FYE 2019. The increase in revenue was mainly attributable to:

(i) higher level of construction activities for Railway Project which increased our revenue by RM130.08 million or 608.1% from RM21.39 million in FYE 2018 to RM151.47 million in FYE 2019; and

(ii) commencement of a new project for provision of elevated roadworks located at Damansara Perdana, Selangor which contributed RM20.59 million in FYE 2019.

The increase in our revenue from civil engineering and infrastructure segment was partially offset by zero contribution from Melaka Gateway Project and provision of earthworks, retaining wall and upgrading of drainage system located at Mukim Ampangan, Negeri Sembilan during FYE 2019, as both these projects contributed revenue of RM9.94 million and RM9.12 million in FYE 2018 respectively, were completed in FYE 2018. In addition, we had also substantially recognised the contract value for the provision of earthworks to construct underpass at Sungai Pendas Bridge located at Sunway Iskandar, Johor in FYE 2018 (RM8.08 million in FYE 2018 compared to RM1.54 million in FYE 2019).

Comparison between FYE 2019 and FYE 2020

Our Group's total revenue decreased by RM78.31 million or 18.5% from RM422.79 million in FYE 2019 to RM344.48 million in FYE 2020. Both our building and civil engineering and infrastructure segments recorded lower revenue by RM47.34 million and RM30.90 million or 19.2% and 17.6% respectively mainly due to completion of several construction projects and lower level of construction activities following the implementation of MCO as a result of the Covid-19 pandemic.

Building segment

Revenue from our building segment decreased by RM47.34 million or 19.2% from RM246.79 million in FYE 2019 to RM199.45 million in FYE 2020. The decrease in revenue was mainly attributable to:

(i) decrease in revenue recognised from Nidoz Project by RM95.50 million or 75.7% from RM126.18 million in FYE 2019 to RM30.68 million in FYE 2020 as the project was completed in June 2020; and

(ii) completion of Nest Residence Project which contributed revenue of RM28.75 million in FYE 2019.

The decrease in revenue from our building segment was partially offset by higher level of construction activities or project commencement from the following projects:

(i) higher revenue recognised from Scarletz Project by RM30.88 million or 148.5% from RM20.80 million in FYE 2019 to RM51.68 million in FYE 2020;

(ii) higher revenue recognised from Panorama Project by RM25.28 million or 374.0% from RM6.76 million in FYE 2019 to RM32.04 million in FYE 2020;

(iii) commencement of Kuchai Sentral Project which contributed revenue of RM10.98 million in FYE 2020; and

(iv) higher revenue recognised from Mossaz and Paxtonz Project by RM7.07 million or 39.4% from RM17.96 million in FYE 2019 to RM25.03 million in FYE 2020.

Civil engineering and infrastructure segment

Revenue from our civil engineering and infrastructure segment decreased by RM30.90 million or 17.6% from RM175.93 million in FYE 2019 to RM145.03 million in FYE 2020. The decrease in revenue was mainly attributable to:

(i) lower level of construction activities for Railway Project which resulted in a decrease in revenue recognised by RM40.50 million or 26.7% from RM151.47 million in FYE 2019 to RM110.97 million in FYE 2020; and

(ii) lower level of construction activities for the provision of elevated roadworks project at Damansara Perdana, Selangor which resulted in a decrease in revenue recognised by RM9.05 million or 44.0% from RM20.59 million in FYE 2019 to RM11.54 million.

12. FINANCIAL INFORMATION *(Cont'd)*

The lower level of construction activities was generally due to implementation of MCO.

The decrease in revenue from our civil engineering and infrastructure segment was partially offset by higher level of construction activities or project commencement from the following projects:

(i) commencement and completion of our short-term project for provision of earthworks at Damansara Perdana, Selangor which contributed revenue of RM6.00 million in FYE 2020;

(ii) higher revenue recognised from provision of earthworks and drainage works for bridge crossing and link road project located at Johor by RM4.57 million or 248.4% from RM1.84 million in FYE 2019 to RM6.41 million in FYE 2020; and

(iii) commencement of provision of construction and completion of subgrade earthworks project at Kertih, Terengganu which contributed revenue of RM4.45 million in FYE 2020.

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12. FINANCIAL INFORMATION *(Cont'd)*

(b) Cost of sales, GP and GP margin

We price our construction projects based on cost estimate. Under the terms of certain of our contracts, the prices we submit in our tender bid or negotiate in our contracts are fixed, with the exception of any approved variation orders. As such, our GP and GP margin are dependent on the accuracy of our pricing during the tender and/or negotiation stage. Our cost estimate is based on inter-alia, the availability and costs of construction materials and equipment, subcontractors cost, project period, labour costs, as well as the complexity and scale of the construction project.

Analysis of cost of sales by segment

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Building segment								
- Residential	136,742	78.9	123,596	64.9	151,717	39.4	60,757	19.5
- Commercial & industrial	3,357	2.0	-	-	19,453	5.0	48,379	15.6
- Mixed development	11,618	6.7	20,209	10.6	58,063	15.1	75,341	24.2
	151,717	87.6	143,805	75.5	229,233	59.5	184,477	59.3
Civil engineering and infrastructure segment	19,370	11.2	44,670	23.5	155,450	40.4	126,719	40.7
Others	2,186	1.2	1,955	1.0	227	0.1	-	-
	173,273	**100.0**	**190,430**	**100.0**	**384,910**	**100.0**	**311,196**	**100.0**

Analysis of cost of sales by cost items

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractors cost	106,998	61.7	94,850	49.8	223,856	58.2	171,376	55.1
Purchase of materials	38,385	22.2	58,798	30.9	105,910	27.5	88,551	28.4
Direct labour cost	7,322	4.2	12,792	6.7	17,159	4.4	16,199	5.2
Preliminaries	20,568	11.9	23,990	12.6	37,985	9.9	35,070	11.3
	173,273	**100.0**	**190,430**	**100.0**	**384,910**	**100.0**	**311,196**	**100.0**

12. FINANCIAL INFORMATION *(Cont'd)*

Major components of our cost of sales are subcontractors cost, purchase of materials and direct labour cost that collectively represents between 87.4% to 90.1% of our Group's cost of sales from FYE 2017 to FYE 2020.

Comparison between FYE 2017 and FYE 2018

Our Group's cost of sales increased by RM17.16 million or 9.9% from RM173.27 million in FYE 2017 to RM190.43 million in FYE 2018. The increase was mainly due to higher cost of sales recognised from our civil engineering and infrastructure segment which increased by RM25.30 million or 130.6% from RM19.37 million in FYE 2017 to RM44.67 million in FYE 2018. The overall increase was mainly attributable to the following cost items:

(i) increase in the purchase of materials by RM20.41 million or 53.2% from RM38.39 million in FYE 2017 to RM58.80 million in FYE 2018; and

(ii) increase in direct labour cost by RM5.47 million or 74.7% from RM7.32 million in FYE 2017 to RM12.79 million in FYE 2018.

The increase in cost of sales mainly arose from the commencement of 3 new civil engineering and infrastructure projects namely Melaka Gateway Project, Railway Project and provision of earthworks to construct underpass at Sungai Pendas Bridge located at Sunway Iskandar, Johor. The higher level of construction activities from our infrastructure project located at Mukim Ampangan, Negeri Sembilan also increased our cost of sales.

However, our subcontractors cost decreased by RM12.15 million or 11.4% from RM107.00 million in FYE 2017 to RM94.85 million in FYE 2018. The decrease was in line with the overall decrease in revenue from our building segment as our subcontractors cost mainly relates to M&E engineering works, piping and plumbing works, external painting works and water proofing works, which are appointed under our building segment.

Comparison between FYE 2018 and FYE 2019

Our Group's cost of sales increased by RM194.48 million or 102.1% from RM190.43 million in FYE 2018 to RM384.91 million in FYE 2019. Both our building and civil engineering and infrastructure segments recorded a higher cost of sales by RM85.43 million and RM110.78 million or 59.4% and 248.0% respectively. The overall increase was mainly attributable to the following cost items:

(i) increase in subcontractors cost by RM129.01 million or 136.0% from RM94.85 million in FYE 2018 to RM223.86 million in FYE 2019; and

(ii) increase in purchase of materials by RM47.11 million or 80.1% from RM58.80 million in FYE 2018 to RM105.91 million in FYE 2019.

The increase in cost of sales was mainly arising from the commencement of construction works on various new building projects such as Scarletz Project, Mossaz and Paxtonz Project and Panorama Project as well as new infrastructure project located at Damansara Perdana, Selangor.

12. FINANCIAL INFORMATION *(Cont'd)*

The increase in cost of sales was also contributed by higher level of construction activities from our on-going projects from building and civil engineering and infrastructure segments such as Nidoz Project, Grand Project and Railway Project.

Comparison between FYE 2019 and FYE 2020

Our Group's cost of sales decreased by RM73.71 million or 19.1% from RM384.91 million in FYE 2019 to RM311.20 million in FYE 2020. Both our building and civil engineering and infrastructure segments recorded lower cost of sales by RM44.75 million and RM28.73 million or 19.5% and 18.5% respectively. The overall decrease was mainly attributable to the following cost items:

(i) decrease in subcontractors cost by RM52.48 million or 23.4% from RM223.86 million in FYE 2019 to RM171.38 million in FYE 2020; and

(ii) decrease in the purchase of materials by RM17.36 million or 16.4% from RM105.91 million in FYE 2019 to RM88.55 million in FYE 2020.

Our overall cost of sales decreased in line with the overall decrease in revenue mainly due to completion of several construction projects and the implementation of MCO resulting from Covid-19 pandemic which has slowed down the construction progress of our various projects.

Analysis of GP and GP margin by segment

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Building segment								
- Residential	12,723	8.5	15,032	10.8	13,623	8.2	7,701	11.2
- Commercial & Industrial	546	14.0	-	-	1,347	6.5	3,299	6.4
- Mixed development	1,061	8.4	1,049	4.9	2,588	4.3	3,970	5.0
	14,330	8.6	16,081	10.1	17,558	7.1	14,970	7.5
Civil engineering and infrastructure segment	2,394	11.0	9,726	17.9	20,483	11.6	18,313	12.6
Others	860	28.2	1,527	(1)43.9	(1)(165)	(1)(266.1)	-	-
	17,584	**9.2**	**27,334**	**12.6**	**37,876**	**9.0**	**33,283**	**9.7**

Note:

[1] GP margin increased in FYE 2018 mainly due to higher repair and maintenance costs incurred in FYE 2017 on the heavy machineries rented to client. The negative GP and GP margin in FYE 2019 was mainly due to demobilisation expenses incurred to transport our heavy machineries from our client's project site located in Penang to other project sites after the completion of the rental period.

Our GP and GP margin are dependent on our overall project mix during the financial year. We price our construction projects based on cost estimates taking into consideration the complexity and scale of the project. As such, our GP and GP margin are also dependent on the accuracy of our cost estimates.

In addition, our GP and GP margin may fluctuate throughout our construction period as and when there is a need to revise our cost estimates. Such fluctuations are generally more significant towards the completion of the construction project when we can estimate our cost more accurately.

Comparison between FYE 2017 and FYE 2018

Our Group's GP increased by RM9.75 million or 55.5% from RM17.58 million in FYE 2017 to RM27.33 million in FYE 2018, while our overall GP margin increased by 3.4% from 9.2% in FYE 2017 to 12.6% in FYE 2018. The increase in our GP margin in FYE 2018 was mainly attributable to:

(i) our building segment, which recorded a higher GP margin of 10.1% in FYE 2018 as compared to 8.6% in FYE 2017 amidst a decrease in revenue from RM166.05 million in FYE 2017 to RM159.89 million in FYE 2018. The increase in GP margin was mainly due to lesser preliminary expenses such as hire of vehicles and rental of equipment for the initial land/site clearing and piling for foundation, which were already incurred in the previous financial year for various major on-going building projects; and

(ii) our civil engineering and infrastructure segment, which recorded a higher GP margin of 17.9% in FYE 2018 as compared to 11.0% in FYE 2017 mainly due to Melaka Gateway Project and removal of soil located at Gua Musang, Kelantan which yields a higher GP margin as we did not incur cost of materials and were able to leverage on our internal resources to complete the projects without having to incur subcontractors cost.

12. FINANCIAL INFORMATION *(Cont'd)*

Comparison between FYE 2018 and FYE 2019

Our Group's GP increased by RM10.55 million or 38.6% from RM27.33 million in FYE 2018 to RM37.88 million in FYE 2019 while our overall GP margin has decreased by 3.6% from 12.6% in FYE 2018 to 9.0% in FYE 2019. The decrease in our GP margin in FYE 2019 was mainly attributable to:

(i) our building segment, which recorded a lower GP margin of 7.1% in FYE 2019 as compared to 10.1% in FYE 2018. The decrease in GP margin for building segment was mainly due to higher preliminary expenses such as hire of vehicles and rental of equipment for the initial land/site clearing and piling for foundation, incurred during the financial year as our Group commenced various new building projects such as Scarletz Project, Mossaz and Paxtonz Project and Panorama Project; and

(ii) our civil engineering and infrastructure segment, which recorded a lower GP margin of 11.6% in FYE 2019 as compared to 17.9% in FYE 2018 mainly due to the decrease in GP margin after completion of Melaka Gateway Project in FYE 2018 and removal of soil located at Gua Musang, Kelantan in early FYE 2019, where both projects yielded higher GP margins.

Comparison between FYE 2019 and FYE 2020

Our Group's GP decreased by RM4.60 million or 12.1% from RM37.88 million in FYE 2019 to RM33.28 million in FYE 2020, while our overall GP margin increased slightly by 0.7% from 9.0% in FYE 2019 to 9.7% in FYE 2020. The increase in our GP margin in FYE 2020 was mainly attributable to:

(i) our building segment, which recorded a higher GP margin of 7.5% in FYE 2020 as compared to 7.1% in FYE 2019 mainly due to:

- revision in budgeted construction cost upon completion of the Nidoz Project, due to lower actual subcontractors cost as well as lower actual materials cost as the overall market price of concrete decreased in FYE 2020; and
- lesser preliminary expenses for various major on-going building projects as such expenses were already incurred in the previous financial year.

(ii) our civil engineering and infrastructure segment, which recorded a higher GP margin of 12.6% in FYE 2020 as compared to 11.6% in FYE 2019 mainly due to:

- revision in budgeted construction cost for Railway Project mainly due to lower actual materials cost as the overall market price of reinforcement steel bar and concrete decreased in FYE 2020;
- higher GP margin arising from our short term project involving provision of earthworks at Damansara Perdana, Selangor as this project was on an ad-hoc basis and we were able to undertake the project with minimal external resources; and

- higher GP margin arising from our rectification works for the retaining wall and upgrading of drainage system located at Mukim Ampangan, Negeri Sembilan as we were requested by our client to conduct an overall rectification works on an ad-hoc basis in FYE 2020.

(c) Other income

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	30	18.3	183	18.7	87	7.0	168	12.6
Gain on remeasurement of lease liabilities[1]	-	-	-	-	-	-	29	2.2
Insurance compensation	-	-	215	21.9	282	22.9	77	5.8
Interest income	78	47.6	[5]-	[5]-	611	49.6	714	53.8
Incentive	-	-	451	46.0	-	-	-	-
Administrative fees[2]	-	-	-	-	36	2.9	-	-
Sites income [3]	56	34.1	95	9.7	169	13.7	86	6.5
Others [4]	-	-	36	3.7	47	3.9	253	19.1
	164	**100.0**	**980**	**100.0**	**1,232**	**100.0**	**1,327**	**100.0**

Notes:

(1) The remeasurement of lease liabilities in FYE 2020 was mainly due to revised lease payments related to the exercise of renewal options on tenancies and non-renewal of certain tenancies.

(2) Administrative fees charged to Nestcon Hailong, a former associate company, for office administration work.

(3) Sites income consists of payment received from another main contractor for Nidoz Project for water usage to clean their lorries at project site entrance as well as administration fee received from subcontractors for managing attendance of their site workers and purchase of materials on behalf of subcontractors.

(4) Others mainly consist of fee received from subcontractors for minor repair works on their machineries at sites and sales of scrap metal.

(5) Represents less than RM1,000 or 0.1%.

Comparison between FYE 2017 and FYE 2018

Other income increased by RM0.82 million or 512.5% from RM0.16 million in FYE 2017 to RM0.98 million in FYE 2018. The increase was primarily attributable to:

(i) incentive received from one of our major clients for our value engineering proposals in relation to Nidoz Project amounting to RM0.45 million;

(ii) one-off insurance compensation of RM0.19 million received from MSIG Insurance (Malaysia) Bhd ("**MSIG**") for damages to an excavator in a fire incident at a land reclamation site located at Seri Tanjung, Penang and RM0.03 million received from Allianz General Insurance Company (M) Sdn Bhd for damages to a lighting and tower crane's motor in a thunder incident at Nidoz Project; and

(iii) one-off gain on disposal of 3 units excavators and 1 unit bulldozer amounting to RM0.18 million.

Comparison between FYE 2018 and FYE 2019

Other income increased by RM0.25 million or 25.5% from RM0.98 million in FYE 2018 to RM1.23 million in FYE 2019. The increase was mainly due to:

(i) increase in interest income by RM0.61 million mainly arising from the increase in fixed deposits placed with financial institutions of RM14.95 million as at 31 December 2019 compared to RM9.85 million as at 31 December 2018, and new investment in mutual funds of RM3.02 million as at 31 December 2019. Fixed deposits were placed with financial institutions towards the end of FYE 2018; and

(ii) increase in insurance compensation by RM0.07 million due to one-off insurance compensation received from MSIG for an excavator in a fire incident at the earthworks site located at Gua Musang, Kelantan.

However, the overall increase in other income was partially offset by the one-off incentive received in FYE 2018 amounted to RM0.45 million which did not recur in FYE 2019.

Comparison between FYE 2019 and FYE 2020

Other income increased by RM0.10 million or 8.1% from RM1.23 million in FYE 2019 to RM1.33 million in FYE 2020. The increase was mainly due to:

(i) increase in other income by RM0.21 million mainly arising from sales of scrap metal; and

(ii) increase in interest income by RM0.10 million mainly arising from investment in mutual funds.

(d) Administrative expenses

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Auditors' remuneration	58	0.7	57	0.5	64	0.6	57	0.6
Bank charges	22	0.3	153	1.3	91	0.8	120	1.2
Depreciation of property, plant and equipment	545	6.9	1,143	10.0	724	6.1	839	8.1
Directors' remuneration	1,568	19.9	1,455	12.7	1,441	12.1	1,667	16.2
Donations	86	1.1	90	0.8	60	0.5	186	1.8
Entertainment	29	0.4	81	0.7	40	0.3	67	0.6
Expenses in relation to Covid-19	-	-	-	-	-	-	100	1.0
Insurance and road tax	207	2.6	430	3.8	286	2.4	198	1.9
Printing and stationery	79	1.0	116	1.0	145	1.2	141	1.4
Professional fees	278	3.5	109	1.0	484	4.0	705	6.8
Staff costs	4,267	54.3	6,475	56.6	7,341	61.4	5,184	50.2
Stamp duty	6	0.1	307	2.7	540	4.5	281	2.7
Travelling and accommodation	99	1.3	90	0.8	71	0.6	45	0.4
Upkeep expenses	256	3.3	232	2.0	147	1.2	212	2.1
Utilities	37	0.5	61	0.5	62	0.5	70	0.7
Workpass expenses for foreign workers	27	0.3	85	0.7	105	0.9	7	0.1
Others [(1)]	299	3.8	560	4.9	352	2.9	437	4.2
	7,863	**100.0**	**11,444**	**100.0**	**11,953**	**100.0**	**10,316**	**100.0**

Note:

[1] Others mainly consist of goods and services tax, sales and services tax, service charges, processing fee for leasing facilities and trade facilities, licenses and permits expenses and other miscellaneous expenses, each representing not more than 1.5% of our administrative expenses for each respective year.

Comparison between FYE 2017 and FYE 2018

Administrative expenses increased by RM3.58 million or 45.5% from RM7.86 million in FYE 2017 to RM11.44 million in FYE 2018. The increase was mainly attributable to:

(i) increase in staff costs by RM2.21 million mainly due to increments and recruitment of 19 new employees for various departments such as project, tender and contracts and procurement as well as higher provision of bonus;

(ii) increase in depreciation of property, plant and equipment by RM0.60 million mainly due to new motor vehicles purchased during FYE 2018;

(iii) increase in stamp duty by RM0.30 million mainly due to the stamping of banking facilities agreement for additional facility limit of RM44.00 million granted by OCBC Bank Malaysia Berhad ("**OCBC**") during FYE 2018; and

(iv) increase in insurance and road tax by RM0.22 million mainly due to additional motor vehicles purchased during FYE 2018.

Comparison between FYE 2018 and FYE 2019

Administrative expenses increased by RM0.51 million or 4.5% from RM11.44 million in FYE 2018 to RM11.95 million in FYE 2019. The increase was primarily attributable to:

(i) increase in staff costs by RM0.87 million mainly due to increments as well as recruitment of 14 new employees for various departments such as project, finance and accounts, human resource and administration, tender and contracts, procurement, quality control and assurance;

(ii) increase in stamp duty by RM0.23 million mainly due to the stamping of banking facilities agreement for additional facility limit of RM28.00 million granted by OCBC and bank guarantee agreement with OCBC Al-Amin Bank Berhad during FYE 2019; and

(iii) increase in professional fees by RM0.38 million mainly due to consultancy fee for ISO certifications and legal fee incurred for new banking facilities obtained in FYE 2019.

12. FINANCIAL INFORMATION *(Cont'd)*

However, the overall increase in administrative expenses was partially offset by a net decrease in depreciation of property, plant and equipment by RM0.42 million mainly due to disposal of motor vehicles. Such disposal of motor vehicles has also contributed to the reduction in insurance and road tax expenses by RM0.14 million.

Comparison between FYE 2019 and FYE 2020

Administrative expenses decreased by RM1.63 million or 13.6% from RM11.95 million in FYE 2019 to RM10.32 million in FYE 2020. The decrease was primarily attributable to:

(i) decrease in staff costs by RM2.16 million mainly due to no provision of bonus, reduction in staff welfare such as refreshment and festive celebration expenses and reduction in staff training expenses due to the implementation of MCO as a result of the Covid-19 pandemic; and

(ii) decrease in stamp duty by RM0.26 million mainly due to the one-off stamping fee for banking facilities agreement for additional facility limit of RM28.00 million in FYE 2019 which did not recur in FYE 2020.

However, the overall decrease in administrative expenses was partially offset by:

(i) increase in directors' remuneration by RM0.23 million mainly due to an additional executive director;

(ii) increase in professional fees by RM0.22 million mainly for our Listing exercise;

(iii) increase in donations by RM0.13 million as part of our contribution to the local communities such as school and old folks' home in battling the Covid-19 pandemic;

(iv) increase in depreciation of property, plant and equipment by RM0.12 million due to addition of motor vehicles and tools and equipment; and

(v) increase in expenses related to Covid-19 pandemic by RM0.10 million for swab tests and purchase of masks and sanitisation products.

12. FINANCIAL INFORMATION *(Cont'd)*

(e) Other operating expenses

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Depreciation of investment properties	45	100.0	45	100.0	41	13.9	52	9.7
Loss on disposal of investment properties	-	-	-	-	20	6.7	-	-
Property, plant and equipment written off	-	-	-	-	235	79.4	484	90.3
	45	**100.0**	**45**	**100.0**	**296**	**100.0**	**536**	**100.0**

Comparison between FYE 2017 and FYE 2018

For both FYE 2017 and FYE 2018, other operating expenses comprise depreciation of investment properties only.

Comparison between FYE 2018 and FYE 2019

Other operating expenses increased by RM0.25 million or 500.0% from RM0.05 million in FYE 2018 to RM0.30 million in FYE 2019 mainly due to write off of excavators that were damaged in a fire incident.

Comparison between FYE 2019 and FYE 2020

Other operating expenses increased by RM0.24 million or 80.0% from RM0.30 million in FYE 2019 to RM0.54 million in FYE 2020 mainly due to write off of excavator and vibratory roller that were damaged in fire incidents. As at LPD, the insurance claim for the vibratory roller is still pending.

12. FINANCIAL INFORMATION *(Cont'd)*

(f) Finance costs

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Bank overdraft	7	0.5	569	23.2	777	16.6	1,426	31.4
Factoring	638	49.4	476	19.4	1,640	35.1	1,516	33.3
Lease liabilities	610	47.3	1,370	55.9	2,243	48.0	1,522	33.5
Term loans	36	2.8	36	1.5	17	0.3	83	1.8
	1,291	**100.0**	**2,451**	**100.0**	**4,677**	**100.0**	**4,547**	**100.0**

Comparison between FYE 2017 and FYE 2018

Finance costs increased by RM1.16 million or 89.9% from RM1.29 million in FYE 2017 to RM2.45 million in FYE 2018. The increase was mainly attributable to:

(i) increase in lease liabilities interest by RM0.76 million arising from new machineries and motor vehicles purchased during FYE 2018; and

(ii) increase in bank overdraft interest by RM0.56 million due to higher overdraft utilised for working capital purpose.

Comparison between FYE 2018 and FYE 2019

Finance costs increased by RM2.23 million or 91.0%, from RM2.45 million in FYE 2018 to RM4.68 million in FYE 2019. The increase was mainly attributable to:

(i) increase in factoring interest and bank overdraft interest by RM1.16 million and RM0.21 million respectively due to higher factoring and overdraft utilised to finance our greater working capital requirements; and

(ii) increase in lease liabilities interest by RM0.87 million arising from new machineries and motor vehicles purchased during FYE 2019.

12. FINANCIAL INFORMATION *(Cont'd)*

Comparison between FYE 2019 and FYE 2020

Finance costs decreased by RM0.13 million or 2.8%, from RM4.68 million in FYE 2019 to RM4.55 million in FYE 2020, mainly attributable to the decrease in lease liabilities interest by RM0.72 million resulting from lower outstanding balance.

However, the overall decrease in finance costs was partially offset by the increase in bank overdraft interest by RM0.65 million, mainly due to the utilisation of new overdraft facility to finance our working capital.

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(g) PBT and PBT margin

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
PBT (RM'000)	8,549	14,374	22,182	19,211
PBT margin (%)	4.5	6.6	5.2	5.6

Comparison between FYE 2017 and FYE 2018

PBT margin improved from 4.5% in FYE 2017 to 6.6% in FYE 2018. The improvement in our PBT margin was mainly attributable to higher GP margin generated from our civil engineering and infrastructure segment.

Comparison between FYE 2018 and FYE 2019

PBT margin decreased from 6.6% in FYE 2018 to 5.2% in FYE 2019. The decrease in our PBT margin was mainly attributable to lower GP margin generated from both of our building and civil engineering and infrastructure segments.

However, the quantum of decrease in our PBT margin is lower than the quantum of decrease in our GP margin mainly because we managed to maintain our total administrative expenses in FYE 2019 at the level similar to in FYE 2018, although revenue for FYE 2019 had increased.

Comparison between FYE 2019 and FYE 2020

PBT margin improved slightly from 5.2% in FYE 2019 to 5.6% in FYE 2020. The improvement in our PBT margin was mainly attributable to higher GP margin generated from both our building and civil engineering and infrastructure segments.

(h) Taxation

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
Taxation (RM'000)	2,606	4,473	6,415	4,910
Statutory tax rate (%)	24.0	24.0	24.0	24.0
Effective tax rate (%)	30.5	31.1	28.9	25.6

Our effective tax rate for FYE 2017 to FYE 2020 was higher than the statutory tax rate of 24.0% mainly due to certain non-deductible expenses such as depreciation for non-qualifying assets. The non-qualifying assets were mainly derived from the unpaid instalments of motor vehicles and machineries that are under hire purchase arrangements.

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12. FINANCIAL INFORMATION *(Cont'd)*

12.2.3 Review of financial position

(a) Assets

	Audited			
	31 December 2017	31 December 2018	31 December 2019	31 December 2020
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	34,304	61,876	64,574	63,032
Investment properties	2,179	2,134	2,660	3,260
Investment in an associate	-	-	-	-
Other investments	-	-	-	1,941
Deferred tax assets	145	-	-	568
Trade receivables	36,890	29,361	26,203	38,168
Total non-current assets	73,518	93,371	93,437	106,969
Current assets				
Trade receivables	74,478	67,991	90,780	90,493
Other receivables, deposits and prepayments	4,215	6,587	11,609	11,544
Contract assets	2,685	19,252	61,530	46,124
Amount due from related parties	46	8,085	11,880	-
Tax recoverable	75	-	-	-
Other investment	-	-	3,023	74
Fixed deposit with financial institutions	4,780	9,849	14,954	28,128
Cash and bank balances	17,345	17,042	40,701	59,198
Total current assets	103,624	128,806	234,477	235,561
Total assets	**177,142**	**222,177**	**327,914**	**342,530**

Comparison between 31 December 2017 and 31 December 2018

Our total assets increased by RM45.04 million or 25.4% from RM177.14 million as at 31 December 2017 to RM222.18 million as at 31 December 2018. This was mainly due to the increase in current assets by RM25.18 million and increase in non-current assets by RM19.85 million as at 31 December 2018.

The increase in current assets was primarily attributable to:

(i) increase in contract assets by RM16.57 million mainly from Railway Project, Grand Project and Nidoz Project. Such increase was mainly due to timing differences with higher revenue recognised based on the cost incurred method compared to the certified progress billings issued to our clients;

(ii) increase in fixed deposit with financial institutions by RM5.07 million mainly due to our obligation to pledge fixed deposit of up to RM10.00 million by way of sinking fund build-up via 5% retention from each progress claims we receive for Nidoz Project for our bank overdraft facilities purpose; and

(iii) increase in amount due from related parties by RM8.04 million due to advances made to them for their working capital purposes.

However, the overall increase in current assets was partially offset by the decrease in trade receivables by RM6.49 million.

The increase in non-current assets was mainly due to the increase in property, plant and equipment by RM27.57 million mostly from the purchase of machineries of RM24.54 million for our construction activities and motor vehicles of RM5.07 million.

Comparison between 31 December 2018 and 31 December 2019

Our total assets increased by RM105.73 million or 47.6% from RM222.18 million as at 31 December 2018 to RM327.91 million as at 31 December 2019. The increase was mainly attributable to the increase in current assets by RM105.67 million.

The increase in current assets was mainly due to:

(i) increase in contract assets of RM42.28 million mainly from Railway Project, elevated roadworks at Damansara Perdana, Selangor, Grand Project, Mossaz and Paxtonz Project and Panorama Project. Such increase was mainly due to timing differences with higher revenue recognised based on the cost incurred method compared to the certified progress billings issued to our clients; and

(ii) increase in cash and bank balances of RM23.66 million, trade receivables of RM22.79 million and other receivables, deposits and prepayments of RM5.02 million, in line with our growth in revenue.

Comparison between 31 December 2019 and 31 December 2020

Our total assets increased by RM14.62 million or 4.5% from RM327.91 million as at 31 December 2019 to RM342.53 million as at 31 December 2020. This was mainly due to the increase in non-current assets by RM13.53 million and increase in current assets by RM1.08 million as at 31 December 2020.

The increase in non-current assets was primarily attributable to:

(i) increase in trade receivables by RM11.97 million arising from higher retention sum retained by our clients mainly for Railway Project, Mossaz and Paxtonz Project, Scarletz Project and Panorama Project; and

(ii) increase in other investments by RM1.94 million arising from our purchase of keyman insurances for Datuk Ir. Dr. Lim and Ong Yong Chuan in relation to the banking facilities granted to us for our Kuchai Sentral Project and our project involving provision of flyover and pedestrian bridge works located at Seberang Perai Tengah, Penang. The insurance premium paid together with guaranteed returns shall be remitted to us should we have no specific claims against the insurance by the end of year 2025.

The increase in current assets was mainly attributable to:

(i) increase in cash and bank balances by RM18.50 million; and

(ii) increase in fixed deposit with financial institutions by RM13.17 million arising from RM8.17 million fixed deposits pledged for performance bond mainly for Railway Project and Scarletz Project, and RM5.00 million placed in short term repurchase agreement.

However, the overall increase in current assets was partially offset by the decrease in contract assets by RM15.41 million from Railway Project, Grand Project, Mossaz and Paxtonz Project and elevated roadworks at Damansara Perdana, Selangor, and the decrease in amount due from related parties by RM11.88 million.

(b) Liabilities

	Audited			
	31 December 2017	**31 December 2018**	**31 December 2019**	**31 December 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current liabilities				
Trade payables	12,351	15,990	13,157	17,266
Bank borrowings	747	699	316	3,460
Lease liabilities	10,060	26,273	19,095	12,586
Deferred tax liabilities	767	2,877	3,912	2,833
Total non-current liabilities	23,925	45,839	36,480	36,145
Current liabilities				
Trade payables	72,268	76,777	146,173	137,130
Other payables and accruals	6,440	4,700	7,590	6,372
Contract liabilities	15,709	6,361	30,430	24,917
Amount due to related parties	9	-	-	-
Amount due to Directors	8,824	10,928	9	-
Bank borrowings	5,551	20,054	30,962	47,734
Lease liabilities	6,357	12,998	14,638	13,088
Income tax payable	4,583	3,143	3,688	4,899
Total current liabilities	119,741	134,961	233,490	234,140
Total liabilities	**143,666**	**180,800**	**269,970**	**270,285**

Comparison between 31 December 2017 and 31 December 2018

Our total liabilities increased by RM37.13 million or 25.8% from RM143.67 million as at 31 December 2017 to RM180.80 million as at 31 December 2018. The increase was attributable to the increase in non-current liabilities by RM21.91 million and increase in current liabilities by RM15.22 million.

The increase in non-current liabilities was mainly due to:

(i) increase in lease liabilities by RM16.21 million arising from the purchase of new machineries and motor vehicles for our business operations; and

(ii) increase in non-current trade payables by RM3.64 million mainly due to the increase in our projects undertaken and increase in the retention sum payables for FYE 2018.

The increase in current liabilities was mainly due to:

(i) increase in short term bank borrowings by RM14.50 million as new factoring facilities were obtained to finance Nidoz Project;

(ii) increase in lease liabilities by RM6.64 million arising from the purchase of new machineries and motor vehicles for our business operations;

(iii) increase in current trade payables by RM4.51 million mainly due to the increase in projects undertaken for FYE 2018; and

(iv) increase in amount due to Directors by RM2.10 million mainly due to advances from Directors to Nestcon Infra for working capital purposes.

However, the overall increase in current liabilities was partially offset by decrease in contract liabilities of RM9.35 million, other payables and accruals of RM1.74 million and income tax payable of RM1.44 million. The decrease in contract liabilities was mainly from Nest Residence Project as it was close to completion stage where revenue has been recognised substantially as at 31 December 2018.

Comparison between 31 December 2018 and 31 December 2019

Our total liabilities increased by RM89.17 million or 49.3% from RM180.80 million as at 31 December 2018 to RM269.97 million as at 31 December 2019. The increase was mainly attributable to the increase in current liabilities by RM98.53 million.

The increase in current liabilities was mainly due to:

(i) increase in current trade payables by RM69.40 million mainly due to the increase in projects undertaken for FYE 2019;

(ii) increase in contract liabilities by RM24.07 million mainly due to timing differences with higher certified progress billings issued to our clients compared to the revenue recognised based on cost incurred method. The increase in contract liabilities was mainly attributable to Nidoz Project and Railway Project; and

(iii) increase in short term bank borrowings by RM10.91 million to finance our greater working capital requirements.

However, the increase in current liabilities was partially offset by the decrease in non-current liabilities by RM9.36 million, mainly attributable to decrease in lease liabilities by RM7.18 million as there were no major purchase of property, plant and equipment during FYE 2019 as opposed to the previous financial year and non-current trade payables by RM2.83 million due to delay in capturing our subcontractors' cost as explained in (ii) above.

Comparison between 31 December 2019 and 31 December 2020

Our total liabilities increased by RM0.32 million or 0.1% from RM269.97 million as at 31 December 2019 to RM270.29 million as at 31 December 2020. The increase was mainly attributable to the increase in current liabilities by RM0.65 million.

The increase in current liabilities was mainly due to:

(i) increase in short term bank borrowings by RM16.77 million to finance our working requirements: and

(ii) increase in income tax payable by RM1.21 million.

However, the increase in current liabilities was partially offset by the decrease in non-current liabilities by RM0.34 million, mainly attributable to the decrease in lease liabilities resulting from scheduled repayments.

12.2.4 Review of cash flows

	Audited			
	FYE 2017	**FYE 2018**	**FYE 2019**	**FYE 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash generated from operating activities	40,551	12,466	58,760	21,603
Net cash used in investing activities	(4,481)	(4,218)	(7,179)	(3,664)
Net cash used in financing activities	(30,059)	(11,613)	(46,790)	(18,723)
Net increase/ (decrease) in cash and cash equivalents	6,011	(3,365)	4,791	(784)
Cash and cash equivalents at the beginning of financial year	5,831	11,842	8,477	13,268
Cash and cash equivalents at end of financial year	**11,842**	**8,477**	**13,268**	**12,484**
Cash and cash equivalents at end of the financial year comprise:				
Deposits placed with financial institutions	4,780	9,849	14,954	28,128
Cash and bank balances	17,345	17,042	40,701	59,198
	22,125	26,891	55,655	87,326
Less: Bank overdrafts	(5,503)	(7,880)	(16,230)	(34,653)
Less: Pledged deposits with financial institutions	(4,780)	(9,849)	(14,954)	(23,128)
Less: Restricted cash at bank	-	(685)	(11,203)	(17,061)
	11,842	**8,477**	**13,268**	**12,484**

FYE 2017

Net cash for operating activities

In FYE 2017, our net cash generated from operating activities amounted to RM40.55 million. Our collections of RM256.58 million was partially offset by our payments of RM216.03 million. Such payments were mainly for:

(i) Subcontractors and trade suppliers of RM190.65 million;

(ii) Staff and directors' remuneration of RM13.16 million;

(iii) Rental of heavy machineries, vehicles and premises of RM10.42 million; and

(iv) Income tax payment of RM1.80 million.

Net cash for investing activities

In FYE 2017, the net cash used in investing activities amounted to RM4.48 million. It was mainly attributable to the purchase of machineries, tools, equipment, motor vehicles, computer and software, furniture and fittings for our business operations amounted to RM4.56 million.

Net cash used in investing activities was partially offset by proceeds from disposal of machineries amounted to RM0.08 million.

Net cash for financing activities

In FYE 2017, the net cash used in financing activities amounted to RM30.06 million. This was mainly attributable to the net repayment of factoring facilities of RM23.90 million, placement of pledged deposits with financial institutions of RM4.78 million, repayment of lease liabilities of RM1.85 million, interest paid of RM1.29 million and net advances to related parties of RM1.01 million which was offset by advances from Director of RM2.82 million. The advances from Director were mainly for our working capital purposes.

FYE 2018

Net cash for operating activities

In FYE 2018, our net cash generated from operating activities decreased by RM28.08 million or 69.2% from RM40.55 million in FYE 2017 to RM12.47 million in FYE 2018. Our total collections decreased by RM24.76 million from RM256.58 million in FYE 2017 to RM231.82 million in FYE 2018 mainly due to higher amount of retention sum receivables which increased by RM12.23 million in FYE 2018. We have also commenced construction works on various new projects during this financial year, where we incurred construction costs during the initial stages but cannot be billed yet as we have not met the agreed billing milestone. This resulted in an increase in our contract assets by RM16.57 million in FYE 2018. .

In addition, our total payments increased from RM216.03 million in FYE 2017 to RM219.35 million in FYE 2018 mainly due to increase in payments to staff and directors' remuneration as a result of increments and recruitment of new employees as well as higher provision of bonus.

Our collections of RM231.82 million was partially offset by our payments of RM219.35 million. Such payments were mainly for:

(i) Subcontractors and trade suppliers of RM186.85 million;

(ii) Staff and directors' remuneration of RM20.72 million;

(iii) Rental of heavy machineries, vehicles and premises of RM8.16 million; and

(iv) Income tax payment of RM3.62 million.

Net cash for investing activities

In FYE 2018, the net cash used in investing activities amounted to RM4.22 million. It was mainly attributable to the purchase of machineries, tools, equipment, motor vehicles, computer and softwares, furniture and fittings for our business operations amounted to RM4.82 million.

Net cash used in investing activities was partially offset by proceeds from disposal of machineries and tools and equipment amounted to RM0.61 million.

Net cash for financing activities

In FYE 2018, the net cash used in financing activities amounted to RM11.61 million. This was mainly attributable to net advances to related parties of RM8.05 million, repayment of lease liabilities of RM7.54 million, placement of pledged deposits with financial institutions of RM5.07 million, interest paid of RM2.45 million and dividend paid of RM2.00 million.

Net cash used in financing activities was partially offset by the net drawdown of factoring facilities of RM12.12 million and advances from Director of RM2.10 million. The advances from Director were mainly for our working capital purposes.

FYE 2019

Net cash for operating activities

In FYE 2019, our net cash generated from operating activities amounted to RM58.76 million. Our collections of RM404.20 million was partially offset by our payments of RM345.44 million. Such payments were mainly for:

(i) Subcontractors and trade suppliers of RM296.82 million;

(ii) Staff and directors' remuneration of RM25.94 million;

(iii) Rental of heavy machineries, vehicles and premises of RM16.87 million; and

(iv) Income tax payment of RM5.81 million.

Net cash for investing activities

In FYE 2019, the net cash used in investing activities amounted to RM7.18 million was mainly attributable to the purchase of machineries, tools, equipment, motor vehicles, computer and softwares, furniture and fittings for our business operations amounted to RM5.10 million, investment in mutual funds of RM3.02 million and purchase of investment properties of RM1.27 million.

Net cash used in investing activities was partially offset by proceeds from disposal of machinery and motor vehicles of RM1.53 million and investment properties of RM0.68 million respectively.

Net cash for financing activities

In FYE 2019, the net cash used in financing activities amounted to RM46.79 million. This was mainly attributable to repayment of lease liabilities of RM15.29 million, repayment to Director of RM7.92 million, net payment into the sinking fund account for our bank overdraft facilities of RM10.52 million, placement of pledged deposits with financial institutions of RM5.11 million, interest paid of RM4.68 million, net advances to related parties of RM3.80 million, dividend paid of RM2.20 million and repayment of term loans of RM0.41 million.

Net cash used in financing activities was partially offset by net drawdown of factoring facilities of RM2.58 million and interest received of RM0.54 million.

FYE 2020

Net cash for operating activities

In FYE 2020, our net cash generated from operating activities decreased by RM37.16 million or 63.2% from RM58.76 million in FYE 2019 to RM21.60 million in FYE 2020. Our total collections decreased by RM71.25 million from RM404.20 million in FYE 2019 to RM332.95 million in FYE 2020 while our total payment decreased by RM34.09 million from RM345.44 million in FYE 2019 to RM311.35 million in FYE 2020. This is in line with the overall decrease in revenue and cost of sales due to the implementation of MCO resulting from the Covid-19 pandemic.

Our collections of RM332.95 million was partially offset by our payments of RM311.35 million. Such payments were mainly for:

(i) Subcontractors and trade suppliers of RM269.17 million;

(ii) Staff and directors' remuneration of RM23.05 million;

(iii) Rental of heavy machineries, vehicles and premises of RM13.71 million; and

(iv) Income tax payment of RM5.42 million.

Net cash for investing activities

In FYE 2020, the net cash used in investing activities amounted to RM3.66 million. This was mainly from the purchase of machineries, building equipment, motor vehicles and office equipment for our business operations of RM4.64 million, investment in keyman insurances of RM1.94 million and additional investment in mutual funds of RM0.08 million. During the year, we also made a balance payment of RM0.65 million for an investment property which we acquired in FYE 2019.

Net cash used in investing activities was partially offset by proceeds from disposal of mutual funds of RM3.03 million, disposal of building equipment and motor vehicle of RM0.50 million and interest received of RM0.12 million.

Net cash for financing activities

In FYE 2020, the net cash used in financing activities amounted to RM18.72 million. This was mainly attributable to repayment of lease liabilities of RM14.02 million, placement of pledged deposits with financial institutions of RM8.17 million, net deposit to the sinking fund account of RM5.86 million for our bank overdraft facilities, interest paid of RM4.55 million, net repayment of factoring facilities of RM2.22 million, repayment of term loans of RM0.15 million and repayment to Directors of RM0.01 million.

Net cash used in financing activities was partially offset by net repayment received from related parties of RM11.88 million, drawdown of term loans of RM3.87 million and interest received of RM0.51 million.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise term loans, bank overdrafts, bank guarantees, factoring as well as finance lease liabilities.

We recorded net current liabilities of RM16.12 million and RM6.16 million as at 31 December 2017 and 31 December 2018 respectively. The net current liabilities position as at 31 December 2017 and 31 December 2018 was mainly due to:

(a) Higher percentage of retention sum receivables from our building segment in FYE 2017, approximately 33.1% or RM36.89 million of our total trade receivables consist of retention sum which are classified as non-current assets vis-à-vis 30.2% (RM29.36 million) for FYE 2018 and 22.4% (RM26.20 million) for FYE 2019. The retention sum receivables for FYE 2017 was mainly attributable to our first building construction project, Petalz Project that was completed in May 2017 but its retention sum has yet to be fully released in FYE 2017. This coupled with the Nest Residence Project and Nidoz Project which commenced in FYE 2016, further increased our retention sum receivables in FYE 2017;

(b) Temporary timing differences mainly arising from Nest Residence Project when progress billings raised by us to clients was higher than the costs incurred plus recognised profits. This resulted in contract liabilities of RM15.71 million as at 31 December 2017. Although the progress billings are captured as trade receivables, a portion of such progress billings are retained as retention sum (i.e. non-current asset). As such, our current liabilities increased more than our current assets in FYE 2017;

(c) Short-term financing facilities such as bank overdraft, factoring payable and advances from Directors to partially finance our construction contracts which generally require 1 to 3 years to complete; and

(d) Acquisition of property, plant and equipment (i.e. non-current asset) which resulted in the increase of current lease liabilities and payment in cash in FYE 2017 and FYE 2018.

As we expand our business, we may continue to use cash generated from operations to finance our capital expenditure. Coupled with the nature of our business where there will be retention sum receivables (classified as non-current assets), timing differences resulting in contract liabilities as well as our utilisation of short-term financing facilities to finance our construction projects, we may be in net current liabilities position in the future. However, we wish to highlight that we have consistently recorded positive operating cash flow from FYE 2017 to FYE 2020. Our current ratio improved from 0.9 times as at 31 December 2018 to 1.0 times as at 31 December 2019 mainly due to increase in contract assets, trade receivables, fixed deposit with financial institution and cash and bank balances, which was in line with our revenue growth. Our current ratio remained at 1.0 times as at 31 December 2020 mainly due to decrease in contract assets and increase in fixed deposit with financial institutions and cash and bank balances. Upon completion of our Listing, our current ratio will improve further to 1.1 times.

After taking into consideration the following, we have sufficient working capital for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

(a) Our cash and cash equivalent of approximately RM43.76 million (excluding the restricted cash and pledged fixed deposits with financial institutions) as at LPD;

(b) Our expected future cash flows from operations taking into account the potential impact of Covid-19 and MCO on our business;

(c) Our total banking facilities as at LPD of RM391.80 million (excluding finance leases), of which RM100.93 million have been utilised; and

(d) Our pro forma gearing level of 0.5 times, based on our pro forma statements of financial position as at 31 December 2020 after the Acquisitions, IPO and utilisation of proceeds.

Given that we still have sufficient unutilised banking facilities as at LPD and based on our existing order book as at LPD, we do not foresee additional external financing to fund our working capital within the next 12 months from the date of this Prospectus. However, we will carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

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12.4 BORROWINGS

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings (bank borrowings and lease liabilities excluding lease liabilities arising from right-of-use assets of RM0.65 million) as at 31 December 2020 stood at RM76.22 million, details of which are set out below:

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 December 2020
				%	RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Term loans	Purchase of investment properties/ Project financing	(a) All Monies Facilities agreement as principal instruments; (b) All Monies Legal Charge or all Monies Deed of Assignment and Power of Attorney over investment properties as subsidiary instrument; and (c) Equitable assignment of rental proceeds created over investment properties; (d) Joint and several guarantee by Datuk Ir. Dr. Lim and Ong Yong Chuan [(3)] (e) An insurance policy with sum insured of not less than RM5 million taken up under Datuk Ir. Dr. Lim and Ong Yong Chuan[(3)] and assigned to the bank; and (f) Credit Guarantee Corporation Malaysia Berhad's guarantee under BizJamin Special Relief Facility.	180 months	3.2 – 5.6	597
Bank overdraft	Working capital	(a) Open All Monies Facilities Agreement to be entered into between the Borrower and the Bank; (b) First party pledge of fixed deposit of 10% each issuance of letter of credit or trust receipts to be created by the Borrower by way of an Open All Monies Memorandum of Deposit. The interest earned shall be capitalised and retained as security;	On demand	6.5 – 7.8	34,653

12. FINANCIAL INFORMATION *(Cont'd)*

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 December 2020
				%	RM'000
		(c) Pledge of fixed deposit of RM10,000,000 by way of sinking fund build-up via 5% retention from each progress payment as and when received from identified projects with duly executed Open All Monies Memorandum of Deposit to be executed by the Borrower. The interest earned shall be capitalised and retained as security; (d) An assignment and a fixed charge over receivables; (e) Fixed charge over the designated collections account, sinking fund account and other accounts; (f) Charge over goods as defined under Master Security Agreement; (g) Charge over all payments or deposit from time to time paid or deposited into accounts opened or to be opened or maintained by the Company with any branch of the bank which requires to be charged to the bank for all monies owing or payable under the facilities; (h) Open All Monies joint and several guarantee by Datuk Ir. Dr. Lim and Ong Yong Chuan[(3)]; and (i) Corporate guarantee by Nestcon Builders.			
Factoring payable	Working capital	(a) Assignment of contract proceeds in respect of identified projects by way of Factoring Agreement; and (b) Joint and several guarantee by Datuk Ir. Dr. Lim and Ong Yong Chuan [(3)].	Ranging from 150 days to 180 days	6.5 – 7.5	12,484
Lease liabilities	Purchase of building equipment, machinery and motor vehicles	Building equipment, machinery and motor vehicles under the finance lease.	Ranging from 36 to 60 months	4.3 – 6.6	12,732
					60,466

12. FINANCIAL INFORMATION *(Cont'd)*

	Purpose	Security	Tenure of the facility	Effective interest rate	As at 31 December 2020
				%	RM'000
Interest bearing long-term borrowings, payable after 1 year:					
Term loans	Purchase of investment properties/ Projects financing	(a) All Monies Facilities agreement as principal instruments; (b) All Monies Legal Charge or all Monies Deed of Assignment and Power of Attorney over investment properties as subsidiary instrument; and (c) Equitable assignment of rental proceeds created over investment properties; (d) Joint and several guarantee by Datuk Ir. Dr. Lim and Ong Yong Chuan [3] (e) An insurance policy with sum insured of not less than RM5 million taken up under Datuk Ir. Dr. Lim and Ong Yong Chuan[3] and assigned to the bank; and (f) Credit Guarantee Corporation Malaysia Berhad's guarantee under BizJamin Special Relief Facility.	180 months	3.2 – 5.6	3,460
Lease liabilities	Purchase of building equipment, machinery and motor vehicles	Building equipment, machinery and motor vehicles under the finance lease.	Ranging from 36 to 60 months	4.3 – 6.6	12,294
					15,754
Total borrowings					**76,220**

Gearing (times)

After Acquisitions but before IPO and utilisation of proceeds[1]	1.1
After Acquisitions and utilisation of proceeds [2]	0.5

12. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) Computed based on our pro forma equity attributable to the owners of the Company of RM72.24 million in the pro forma statements of financial position after the Acquisitions, but before IPO and utilisation of proceeds.

(2) Computed based on our pro forma equity attributable to the owners of the Company of RM113.68 million in the pro forma statements of financial position after the Acquisitions, IPO and utilisation of proceeds which includes the repayment of bank borrowings of RM16.50 million.

(3) In conjunction with our Listing, we have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective financiers, our Directors will continue to guarantee the banking facilities extended to our Group. Please refer to Section 10.2.2 for further details.

Separately, we have also recognised the following lease liabilities on the right-of-use assets which are denominated in RM:

	Purpose	Tenure	As at 31 December 2020 RM'000
Lease liabilities payable within 1 year	Rental of land, office and staff hostel	Initial lease of 1 to 2 years with option to renew for another 1 to 3 years	357
Lease liabilities payable after 1 year	Rental of land, office and staff hostel	Initial lease of 1 to 2 years with option to renew for another 1 to 3 years	292
			649

We also rely on bank guarantees for tender bonds and performance bonds. Such bank guarantees are used for all aspects of the project construction contract lifecycle from the start of tender process to expiration of our liability towards the client in accordance with the terms of each contract. The bank guarantees allow us to tender, execute and guarantee our deliverables to our clients. The tenure requirements for the bank guarantees are structured to match the underlying construction contracts with the respective counterparties.

Our total bank guarantees as at 31 December 2020 stood at RM42.45 million, details as set out below. All our bank guarantees are secured, interest-bearing and denominated in RM.

12. FINANCIAL INFORMATION *(Cont'd)*

	Purpose	Security	Tenure	Interest rate	As at 31 December 2020
				% per annum	RM'000
Bank guarantees	Performance guarantees for contract works carried out by our Group	(a) Legal assignment and a fixed charge over receivables; (b) Legal fixed charge over the designated collections account, the sinking fund account and other account(s); (c) Legal charge over certain goods; (d) Legal charge over all payments or deposit paid or deposited into accounts for all monies owing or payable under the facility; (e) Pledge of 10% of bank guarantee in the form of fixed deposits; (f) Joint and several guarantee from Datuk Ir. Dr. Lim and Ong Yong Chuan[(1)]; and (g) Corporate guarantee by Nestcon Builders.	On demand	1.0 – 1.2	42,446

Note:

(1) In conjunction with our Listing, we have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective financiers, our Directors will continue to guarantee the banking facilities extended to our Group. Please refer to Section 10.2.2 for further details.

The liabilities in respect of the bank guarantees will only crystallise and become payable following a call by our clients of the tender bonds or performance bonds in accordance with the terms and conditions of such construction contracts. During FYE 2017 to FYE 2020, we did not experience any call of the tender bonds or performance bonds issued to our clients.

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2017 to FYE 2020 and up to LPD.

12. FINANCIAL INFORMATION *(Cont'd)*

As at LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

During FYE 2017 to FYE 2020, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

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12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used towards purchase of property, plant and equipment and our construction business. As at 31 December 2020, save for our finance lease liabilities which are based on fixed rates, all our other facilities with licensed financial institutions are based on base rate plus or minus a rate which varies depending on the type of facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, we do not have any other material capital commitments.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD.

As at LPD, save for the financial guarantees amounting to RM42.45 million as disclosed in Section 12.4 and corporate guarantee as disclosed in Section 10.2.2 (b)(ii), our Directors confirm that there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our Group's business, financial results or position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 are as follows:

	Audited			
	31 December 2017	**31 December 2018**	**31 December 2019**	**31 December 2020**
Trade receivables turnover (days)(1)	223	100	47	68
Trade payables turnover (days)(2)	193	138	99	152
Current ratio (times)(3)	0.9	0.9	1.0	1.0
Gearing ratio (times)(4)	0.7	1.4	1.1	1.1

Notes:

(1) Computed based on average opening and closing trade receivables (excluding retention sum) over revenue for the year multiplied by 365 days for each financial year.

(2) Computed based on average opening and closing trade payables (excluding retention sum) over cost of sales for the year multiplied by 365 days for each financial year.

(3) Computed based on current assets over current liabilities as at each year end.

(4) Computed based on total borrowings and lease liabilities (excluding lease liabilities arising from the rental of land and buildings of RM0.60 million for FYE 2017, RM0.85 million for FYE 2018, RM0.58 million for FYE 2019 and RM0.65 million for FYE 2020) over total equity as at each year end.

12.8.1 Trade receivables turnover

The normal credit period granted by our Group to our contract clients is 45 days from the date of progress billings depending on the terms of the contracts.

Our trade receivables turnover period was computed excluding retention sums. Due to the nature of the construction industry, our clients are entitled to retain 10.0% of each progress billing as retention sum up to a maximum of 5.0% of the total contract sum awarded, in accordance to the terms of the contracts. Our clients will retain the entire retention sum throughout the contract period until the issuance of the CPC, of which half of the total retention sums will be released to us, whilst the remaining half will be released to us at the end of the contracted DLP and upon issuance of the CMGD. As such, the exclusion of the retention sums in the computation of trade receivables turnover period represents a more accurate measure of the average number of days that our Group requires for the collection of debts.

Although the credit period as per contractual terms is 45 days, there is still a gap between contractual terms and actual collections as indicated in the trade receivable turnover days. This is mainly due to our clients' lengthy and time-consuming internal process involving verification of the architect's certification by various internal departments before payment is processed. Notwithstanding the above, we opt not to extend our credit period in our contracts to reflect the actual practice as clients may take even longer time to pay if longer payment terms are granted.

The trade receivable turnover period is dependent on the mix of clients and projects undertaken by us during the financial years under review. The changes in our receivable turnover days are very much dependent on the time taken by the respective clients to verify the architect's certificates.

Our trade receivable turnover period improved from 223 days in FYE 2017 to 100 days in FYE 2018 mainly due to faster collection from various projects undertaken by us in FYE 2018 such as Nidoz Project, Grand Project, Melaka Gateway Project and Railway Project. The improved collection time is mainly attributable to lesser time taken to verify the architects' certificates and quicker processing time incurred by our clients.

Our trade receivable turnover period improved further to 47 days in FYE 2019 mainly due to prompt collection from various projects undertaken by us in FYE 2019 such as Nidoz Project, Grand Project and elevated road works in Mukim Petaling, Selangor. The improvement in trade receivables turnover days in FYE 2019 was also contributed by prompt collection from Client A for Railway Project. The revenue contribution from Client A increased to 35.8% in FYE 2019.

Our trade receivable turnover period in FYE 2017 and FYE 2018 were higher mainly due to higher revenue contribution from building segment where there were delayed payments by our clients from the building segment. For FYE 2017 and FYE 2018, the long trade receivables turnover days was mainly due to EXSIM Group (236 days in FYE 2017 and 172 days in FYE 2018) for Petalz Project and Nidoz Project; and Nagano Development Sdn Bhd (150 days in FYE 2017 and 81 days for FYE 2018) for Nest Residence Project. EXSIM Group contributed 65.0% and 32.0% of our total revenue for FYE 2017 and FYE 2018 respectively whilst Nagano Development Sdn Bhd contributed 21.8% and 30.6% of our total revenue for FYE 2017 and FYE 2018 respectively.

Petalz Project was our first building construction project and we were building up relationship with EXSIM Group, as such we did not put in a lot of effort to follow up and closely monitor our collections in the earlier years. Similarly for Nest Residence Project, it was our third building construction project and we did not follow up and closely monitor the collections as we were more focused in the value engineering to reduce construction costs. However, as we expand our business and operations, we allocated more manpower to follow up and closely monitor the collections from our clients.

Our trade receivable turnover period increased from 47 days in FYE 2019 to 68 days in FYE 2020 mainly due to slower collections from our clients as a result of the implementation of MCO resulting from the Covid-19 pandemic where clients were conserving their cash flow and delaying payments.

The ageing analysis of our trade receivables as at 31 December 2020 is as follows:

	Trade receivables as at 31 December 2020		**Amount collected from 1 January 2021 up to LPD**	**Balance of trade receivables which have yet to be collected as at LPD**
	RM'000	**Percentage of trade receivables**	**RM'000**	**RM'000**
	(a)	**(a)/total of (a)**	**(b)**	**(c) = (a)-(b)**
Neither past due nor impaired	33,177	25.8	17,369	15,808
Past due but not impaired:				
- less than 30 days	12,176	9.5	12,058	118
- 31 to 60 days	8,970	7.0	8,240	730
- 61 to 90 days	929	0.7	929	-
- over 90 days	9,991	7.7	9,991	-
	32,066	24.9	31,218	848
Retention sum[(1)]	63,418	49.3	170	63,248
Total	**128,661**	**100.0**	**48,757**	**79,904**

Note:

(1) RM25.25 million or 39.8% of the retention sum is within 12 months.

Our total trade receivables past due as at 31 December 2020 is RM32.07 million, representing 24.9% of our total trade receivables. Subsequent to 31 December 2020 and up to LPD, we collected RM48.76 million, representing 37.9% of the total trade receivables as at 31 December 2020, of which RM31.22 million were relating to trade receivable past due as at 31 December 2020.

Our Group has not encountered any major disputes with our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after 31 December 2020.

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

Financial assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with us. Where receivables have been written off, we will continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

An impairment analysis is performed at each reporting date using provision matrix to measure expected credit losses for all trade receivables. There was no impairment loss on trade receivables recognised over the financial years under review.

12.8.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 December 2020 is as follows:

	Trade payables as at 31 December 2020		Amount paid from 1 January 2021 up to LPD	Balance of trade payables which have yet to be paid as at LPD
	RM'000	Percentage of trade payables	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	99,140	64.2	62,190	36,950
Exceeding credit period:				
- 1 to 30 days	11,512	7.4	10,456	1,056
- 31 to 60 days	9,677	6.3	8,359	1,318
- More than 60 days	5,104	3.3	5,104	-
	26,293	17.0	23,919	2,374
Retention sum	28,963	18.8	1,036	27,927
Total	**154,396**	**100.0**	**87,145**	**67,251**

The normal credit term granted to us by our suppliers and subcontractors ranges from 30 to 90 days. We have not experienced any disruptions in supplies from our suppliers for construction materials, and subcontractors for services. Retention sums are excluded in arriving at our trade payables turnover period.

Our trade payable turnover period improved from 193 days in FYE 2017 to 138 days in FYE 2018 and improved further to 99 days in FYE 2019. However, our trade payable turnover period increased from 99 days in FYE 2019 to 152 days in FYE 2020.

The trade payable turnover days for the financial years under review were beyond the normal credit terms granted by our creditors as a result of our working capital management taking into account, inter-alia, collections from our clients. The increase in our trade payables turnover days in FYE 2020 was also a result of our cash flow management to conserve our cash flow as a result of the MCO and Covid-19 pandemic.

We note that there is a gap between our trade receivables turnover days (FYE 2017: 223 days, FYE 2018: 100 days, FYE 2019: 47 days and FYE 2020: 68 days) and our trade payables turnover days (FYE 2017: 193 days, FYE 2018: 138 days, FYE 2019: 99 days and FYE 2020: 152 days). Such differences were mainly due to certain of our clients being slower in issuing the architects' certificates on our progress billings. Although we have performed the works, we were unable to issue progress billings to our clients as we have yet to receive the architects' certificates. As such, our work performed is recognised as contract assets until we receive the architects' certificates, where it will then be captured as trade receivables. However, we continue to certify the progress claims received from our subcontractors and as such the certified progress claims from our subcontractors will be captured as trade payables earlier than the corresponding trade receivables. We try to match the timing of payment to our subcontractors with the collections from our clients, and therefore resulted in longer trade payables turnover days.

As at LPD, we have paid RM87.15 million or 56.4% of our trade payables as at 31 December 2019. Our Group has yet to make payment for trade payables exceeding credit period of RM2.37 million as at LPD mainly due to our working capital management strategy to utilise the credit term granted by suppliers to reduce the utilisation of our trade facilities and finance cost. Nevertheless, as at LPD, there are no disputes in respect of our trade payables and our Board confirms that there had been no legal actions initiated by our suppliers or subcontractors to demand for payment from us in the past nor present.

As at LPD, we have paid RM23.92 million, representing 91.0% of our total past due trade payables as at 31 December 2020.

12.8.3 Current ratio

Our current ratio throughout the financial years under review is as follows:

	Audited			
	31 December 2017	**31 December 2018**	**31 December 2019**	**31 December 2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	103,624	128,806	234,477	235,561
Current liabilities	119,741	134,961	233,490	234,140
Net current (liabilities)/assets	**(16,117)**	**(6,155)**	**987**	**1,421**
Current ratio (times)	0.9	0.9	1.0	1.0

Our current ratio remained at 0.9 times as at 31 December 2017 and 31 December 2018. The net current liabilities position as at 31 December 2017 was primarily attributable to:

(a) Higher percentage of retention sum receivables from our building segment in FYE 2017, approximately 33.1% or RM36.89 million of our total trade receivables consist of retention sum which are classified as non-current assets vis-à-vis 30.2% (RM29.36 million) for FYE 2018 and 22.4% (RM26.20 million) for FYE 2019. The retention sum receivables for FYE 2017 was mainly attributable to our first building construction project, Petalz Project that was completed in May 2017, but its retention sum has yet to be fully released in FYE 2017. This coupled with the Nest Residence Project and Nidoz Project which commenced in FYE 2016, further increased our retention sum receivables in FYE 2017;

(b) Short-term financing facilities such as bank overdraft (RM5.50 million) and advances from Directors (RM8.82 million) to partially finance our construction contracts which generally require 1 to 3 years to complete;

(c) Acquisition of property, plant and equipment (i.e. non-current asset) which resulted in the increase of current lease liabilities by RM3.71 million and payment in cash of RM4.56 million; and

(d) Temporary timing differences mainly arising from Nest Residence Project when progress billings raised by us to clients was higher than the costs incurred plus recognised profits. This resulted in contract liabilities of RM15.71 million as at 31 December 2017. Although the progress billings are captured as trade receivables, a portion of such progress billings are retained as retention sum (i.e. non-current asset). As such, our current liabilities increased more than our current assets in FYE 2017.

The net current liabilities position as at 31 December 2018 was primarily attributable to:

(a) Acquisition of property, plant and equipment (i.e. non-current asset) which resulted in the increase of current lease liabilities by RM6.64 million and payment in cash of RM4.82 million; and

(b) We continued to utilise short-term financing facilities such as bank overdraft (RM7.88 million), factoring payable (RM12.12 million) and advances from Directors (RM10.93 million) to partially finance our construction projects.

The acquisitions of property, plant and equipment was mainly machineries, motor vehicles and building equipment for our construction projects.

Our current ratio improved from 0.9 times as at 31 December 2018 to 1.0 times as at 31 December 2019 mainly due to increase in contract assets, trade receivables and cash and bank balances, which was in line with our revenue growth. Our current ratio remained at 1.0 times as at 31 December 2020 mainly due to decrease in contract assets and increase in fixed deposit with financial institutions and cash and bank balances. Upon completion of our Listing, our current ratio will improve further to 1.1 times.

12.8.4 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	31 December 2017	31 December 2018	31 December 2019	31 December 2020
	RM'000	RM'000	RM'000	RM'000
Total borrowings [(1)]	22,116	59,172	64,428	76,220
Total equity	33,476	41,377	57,944	72,245
Gearing ratio (times)	0.7	1.4	1.1	1.1

Note:

(1) Based on total borrowings and lease liabilities excluding lease liabilities arising from the rental of land and buildings of RM0.60 million as at 31 December 2017, RM0.85 million as at 31 December 2018, RM0.58 million as at 31 December 2019 and RM0.65 million as at 31 December 2020.

Our gearing ratio increased from 0.7 times as at 31 December 2017 to 1.4 times as at 31 December 2018 mainly due to increase in our short-term borrowings and lease liabilities to finance our working capital and capital expenditure requirements during the financial year.

Our gearing ratio decreased from 1.4 times as at 31 December 2018 to 1.1 times as at 31 December 2020 mainly due to increase in share capital and retained earnings arising from profits recorded in the respective year.

Upon completion of our Listing, our pro forma gearing ratio will reduce to 0.5 times.

12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Section 9 details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but not limited to the following:

(a) The ongoing Covid-19 pandemic and possible similar future outbreaks may have a significant adverse effect on our Group

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak as a pandemic due to its rapid spread across the world. It is clear that the pandemic will affect a large portion of the global population and bring about significant economic uncertainties globally.

The ongoing Covid-19 pandemic and any possible future outbreaks of viruses may have a significant adverse effect on our Group. Firstly, a spread of such diseases amongst our employees, as well any quarantines affecting our employees or our offices and project sites, may affect our ability to carry out our business. Secondly, strict operating procedures imposed by the regulatory authorities will also increase our operating costs. Finally, the current pandemic and any possible future outbreaks of viruses may also have an adverse effect on our business partners be it our clients, subcontractors or suppliers, resulting in lesser projects being awarded or slower construction progress or shortage of construction materials necessary for us to carry out our business.

(b) The continuity of our order book is not assured and any significant decline in our order book will adversely affect our long-term sustainability and growth

We are normally awarded contracts on a project-to-project basis. As such, there is no assurance of continuity from one project to the next project.

As at LPD, our order book comprised unbilled contracts amounting to approximately RM1,212.75 million. However, there can be no assurance that we will be able to maintain at least such level of order in the future. In addition, our order book is subject to unexpected project cancellations or scope adjustments which may occur from time to time, and which could reduce the value of our order book.

(c) Any unanticipated increase in costs associated with our construction projects may impair our financial performance

We price our construction projects based on a cost estimate, and under the terms of certain of our contracts, the prices we submit in our tender bid or negotiate in our contracts are fixed, with the exception of any approved variation orders. As such, our project cash flows and profitability are much dependent on the accuracy of our cost estimate during the tender and/or negotiation stage. Our cost estimate is based on inter-alia, the availability and costs of construction raw materials and equipment, subcontracting costs, project period, labour costs, as well as the complexity and scale of the construction project.

Furthermore, any variation works are usually carried out before the finalisation of the variation orders and therefore, we are exposed to the risks that we may not be able to claim the full amount of variation orders from our client. Our cash flows and profitability will be reduced if the actual costs to complete a contract exceed original estimates.

(d) Our failure to complete our projects within the stipulated contract period could result in our clients imposing LAD on us

The timely completion of projects undertaken by our Group is dependent on many external factors inherent in the construction industry. Any adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which may result in our clients imposing LAD on us that could affect our profitability and cash flows.

During FYE 2017 to FYE 2020, we did not encounter any LAD imposition.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12.11 IMPACT OF INFLATION

A majority of our projects take between 1 to 3 years to complete. Accordingly, prices of key construction materials at the time of submission of tender bids or signing of contracts may not reflect the prices that we will eventually pay during the implementation of our projects. Certain of our contracts are firm and fixed-price contracts, under which we commit to provide all of the resources required to complete a project at fixed unit prices. As such, we are not able to pass on any increases in construction cost.

Our operations are also dependent on the availability of labour at acceptable prices. Any unanticipated increases in the cost of labour not taken into account at the time of submission of tender bids or signing of contracts may also result in our profits being different from those originally estimated and may result in us experiencing reduced profitability or losses on projects.

During FYE 2017 to FYE 2020, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS

(a) Impact of foreign exchange rates

Our transactions are solely denominated in RM.

(b) Impact of interest rates

Our exposure to changes in interest rate risk relates primarily to our borrowings from banks. We do not generally hedge interest rate risks.

A sensitivity analysis performed on our Group based on the outstanding floating rate of the bank borrowings as at 31 December 2020 indicates that our PBT for FYE 31 December 2020 would increase or decrease by approximately RM0.25 million, as a result of increase or decrease in interest rates by 50 basis points on these borrowings.

Our financial results for FYE 2017 to FYE 2020 were not materially affected by fluctuations in interest rates.

(c) Impact of commodity prices

Our direct materials mainly consist of construction raw materials such as steel bars, ready-mixed concrete, tiles, timber and plywood, bricks, reinforced mesh, cement, sand and sanitary items. These raw materials are widely available in Malaysia and from a large base of suppliers. We were not directly affected by fluctuations in commodity prices for FYE 2017 to FYE 2020.

12.13 ORDER BOOK

Details of our unbilled order book are as follows:

Project details	As at 31 December 2020 RM' 000	As at LPD RM' 000
Building		
- Residential	165,710	136,802
- Commercial	110,519	90,501
- Mixed development	604,149	664,095
	880,378	891,398
Civil engineering and infrastructure	272,857	321,352
	1,153,235	**1,212,750**

The above unbilled order book relates to the contract value of projects which are ongoing less revenue recognised up to 31 December 2020 or LPD, as the case may be. This unbilled order book will be recognised progressively over the next 1 to 3 financial years based on the expected progress of each project.

None of our order book is awarded by related party. Our unbilled order book of RM1,212.75 million as at LPD represents 4.13 times of our average revenue of RM293.97 million, calculated based on our audited revenues from FYE 2017 to FYE 2020.

The unbilled portion of our contracts with Client A and EXSIM Group represents 7.8% and 46.4% of our order book respectively as at LPD.

12.14 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) Our Group's revenue will remain sustainable in line with our unbilled order book as set out in Section 12.13. In addition, as at LPD, we continue to receive tender invitations from some of our existing major clients namely EXSIM Group and Client A;

(b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.16; and

(c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.15 TREND INFORMATION

Based on our track record for FYE 2017 to FYE 2020, the following trends may continue to affect our business:

(a) During FYE 2017 to FYE 2020, more than 55.0% of our revenue was derived from the building segment. We expect that this segment to continue contributing significantly to our revenue in the future;

(b) During FYE 2017 to FYE 2020, Klang Valley has been our main focus for building segment and we will continue to focus in this region for our building segment;

(c) The main components of our cost of sales are subcontractors cost, purchase of materials and direct labour cost which collectively accounted for more than 85.0% of our total cost of sales during FYE 2017 to FYE 2020. Moving forward, our cost of sales is expected to fluctuate in tandem with the growth of our business and would depend on amongst others, the availability and price fluctuation of our direct materials, direct labours and subcontractors; and

(d) We achieved a GP margin of 9.2%, 12.6%, 9.0% and 9.7% for FYE 2017 to FYE 2020 respectively. Moving forward, our GP margin will depend on, amongst others, our continued ability to manage our costs efficiently and the types and complexity of projects that we can secure in the future.

As at LPD, after all reasonable enquiries, our Board confirms that 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 Group's financial performance, position and operations other than those discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12;

(ii) Material commitments for capital expenditure;

(iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12;

(iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12; and

(v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12.

Although the Covid-19 and MCO have resulted in our Group temporarily suspending operations for 8 to 10 weeks, our financial performance for FYE 2020 was only affected in terms of delayed revenue, for the periods where our construction activities were halted. Despite recording lower revenue of RM344.48 million for FYE 2020 (FYE 2019: RM422.79 million), we were able to record higher GP margin of 9.7% (FYE 2019: 9.0%) and PAT margin of 4.2% (FYE 2019: 3.7%). The imposition of the MCO 2.0 and MCO 3.0 did not materially impact our operation as exemption was granted by MITI for us to operate as usual. On 1 June 2021, the Government imposed the FMCO which resulted in temporary suspension of our operations at most of our project sites. As such, the final effects of the Covid-19 pandemic are difficult to assess at this stage and any prolonged Covid-19 pandemic may have negative effect on the Malaysian economy and property development industry as a whole. Please refer to Section 9.1.1 for further details on the risk of Covid-19 to us. However, we have not experienced any termination or cancellation of any of our ongoing projects as at LPD, and as such will continue to recognised revenue in the immediate FYE 2021.

Based on the above, our Board is optimistic about the future prospects of our Group given the positive outlook of the construction industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.15 and our Group's intention to implement the business strategies as set out in Section 7.16.

12.16 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board. We paid dividend of RM2.00 million and RM2.20 million for FYE 2018 and FYE 2019 respectively.

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12.17 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' report on the pro forma statement of financial position set out in Section 14.

The table below summarises our capitalisation and indebtedness:

(a) Based on our Group's latest unaudited financial information as at 30 April 2021; and

(b) After adjusting for the effects of Acquisitions, IPO and utilisation of proceeds.

	Unaudited	I	II
	(1) As at 30 April 2021	After our IPO	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	77,163	122,231	118,602
Total capitalisation	**77,163**	**122,231**	**118,602**
Indebtedness (2)			
Current			
Bank overdrafts	40,980	40,980	31,480
Invoice financing	3,162	3,162	3,162
Term loans	622	622	622
Factoring payable	10,476	10,476	3,476
Lease liabilities	11,662	11,662	11,662
Non-current			
Term loans	3,239	3,239	3,239
Lease liabilities	11,692	11,692	11,692
Contingent liabilities (3)	56,521	56,521	56,521
Total indebtedness	**138,354**	**138,354**	**121,854**
Total capitalisation and indebtedness	**215,517**	**260,585**	**240,456**
Gearing ratio (4)	1.06	0.67	0.55

Notes:

(1) After adjusting for the Acquisitions.

(2) All of our indebtedness are secured and guaranteed except for certain lease liabilities that are secured without guarantee.

(3) Contingent liabilities consist of bank guarantees given to licensed banks as security for performance bonds and corporate guarantee given to a licensed bank for credit facilities granted to a related party, Picoland Sdn Bhd (maximum exposure of credit risk, representing the outstanding banking facilities as at 30 April 2021). Please refer to Section 10.2.2 (b)(ii) for further details.

12. FINANCIAL INFORMATION *(Cont'd)*

(4) Calculated based on total indebtedness (exclude contingent liabilities) divided by total capitalisation.

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10 May 2021

The Board of Directors
Nestcon Berhad
No. 02-10, Jalan Kenari 13B,
Bandar Puchong Jaya,
47180 Puchong,
Selangor Darul Ehsan.

Dear Sirs

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

Opinion

We have audited the combined financial statements of **Nestcon Berhad** (the "Company") and its combining entities (collectively the "Group"), which comprises the combined statements of financial position as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 of the Group, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 6 to 88.

The combined financial statements of the Group have been prepared solely for inclusion in the prospectus to be issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on Bursa Malaysia Securities Berhad.

In our opinion, the accompanying combined financial statements gives a true and fair view of the financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020, and of their financial performance and its cash flows for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' 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.

ECOVIS MALAYSIA PLT 201404001750 (LLP0003185-LCA) & AF 001825 Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia **Phone:** +60(3) 7981 1799 **Fax:** +60(3) 7980 4796 **E-Mail:** kuala-lumpur@ecovis.com.my

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 Combined Financial Statements

The Directors of the Company are responsible for the preparation of combined financial statements of the Group that gives a true and fair view in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group 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 has 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 not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on 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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

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: (Cont'd)

(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 combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) 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 represents the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information 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 Reporting Responsibility

In accordance with paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia, we report that the significant subsequent events identified by the Group since 31 December 2020, the reporting date of the most recent audited combined financial statements to the date of this report, are as disclosed in Note 37 to the combined financial statements.

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the prospectus to be issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

ECOVIS MALAYSIA PLT	**CHUA KAH CHUN**
AF 001825	No. 02696/09/2021 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur
10 May 2021

NESTCON BERHAD

(Incorporated in Malaysia)
Registration No. 202001008684 (1365004-W)

ACCOUNTANTS' REPORT

ABBREVIATIONS

Unless the context otherwise requires, the following definitions shall apply throughout this report:

Companies within our group:

Nestcon Builders	Nestcon Builders Sdn. Bhd. (201301033505 (1063335-M))
Nestcon Infra	Nestcon Infra Sdn. Bhd. (200101021201 (556959-W))
Nestcon Hailong	Nestcon Hailong Sdn. Bhd. (201701041771 (1255944-K))
Nestcon or Company	Nestcon Berhad (202001008684(1365004-W))
Nestcon Group or Group	Nestcon and its combining entities, collectively

General

Act	Companies Act, 2016
AFS	Available-for-sale
Bursa Securities	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
Covid-19	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and it is a global pandemic
CGU	Cash Generating Unit
CPC	Certificate of practical completion, issued by the project's architect on behalf of the client to the contractor, when the contractor has completed its assigned obligations and handed the work to the client
Director(s)	An executive director or a non-executive director of the Company within the meaning of Section 2 of the Act
ECL	Expected credit loss
EPF	Employees Provident Fund
EPS	Earnings per share
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
FYE	Financial year(s) ended/ending 31 December, as the case may be

NESTCON BERHAD

(Incorporated in Malaysia)
Registration No. 202001008684 (1365004-W)

ACCOUNTANTS' REPORT (CONT'D)

ABBREVIATIONS (CONT'D)

Unless the context otherwise requires, the following definitions shall apply throughout this report: (Cont'd)

General (Cont'd)

GST/SST	Goods and Services Tax/ Sales and Service Tax
HTM	Held-to-maturity
IC	Issue Committee
IFRS	International Financial Reporting Standards
LAD	Liquidated and ascertained damages, which are damages due to a client, calculated at a rate as stated in the contract when a contractor fails to deliver the completed work within the period stipulated in the said contract agreement
MASB	Malaysian Accounting Standards Board
MCO	The 2020 Malaysia movement control order, commonly referred to as the MCO, implemented as a preventive measure by the Government of Malaysia in response to the Covid-19 pandemic in the country, which began from 18 March 2020 and unless otherwise specified, includes all its subsequent phases
MFRS	Malaysian Financial Reporting Standards
MFRS 3	MFRS 3, 'Business Combinations'
MFRS 9	MFRS 9, 'Financial Instruments'
MRFS 15	MFRS 15, 'Revenue from Contracts with Customers'
MFRS 16	MFRS 16, 'Leases'
MFRS 139	MFRS 139, 'Financial Instruments: Recognition and Measurement'
Share(s)	Ordinary share(s) in Nestcon
Proposed Listing	Proposed Listing on the ACE Market of Bursa Securities
Relevant Financial Years	Relevant financial years of the audited financial statements presented for the purpose of this report
Vendors	Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan

NESTCON BERHAD

(Incorporated in Malaysia)
Registration No. 202001008684 (1365004-W)

ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Assets					
Non-current assets					
Property, plant and equipment	8	63,031,553	64,573,426	61,876,105	34,303,995
Investment properties	9	3,259,657	2,659,864	2,133,800	2,179,200
Investment in an associate	10	-	-	-	-
Other investments	11	1,941,188	-	-	-
Deferred tax assets	12	567,930	-	-	144,698
Trade receivables	13	38,167,948	26,203,314	29,361,056	36,889,499
		106,968,276	93,436,604	93,370,961	73,517,392
Current assets					
Trade receivables	13	90,493,272	90,780,393	67,991,310	74,477,872
Other receivables, deposits and prepayments	14	11,543,972	11,608,724	6,586,441	4,215,015
Contract assets	15	46,123,662	61,529,957	19,251,666	2,684,628
Amount due from related parties	16	-	11,880,307	8,085,264	45,893
Tax recoverable		-	-	-	75,460
Other investments	11	73,907	3,022,954	-	-
Fixed deposit with financial institution		28,127,790	14,954,022	9,849,259	4,780,042
Cash and bank balances		59,198,531	40,700,747	17,042,010	17,345,071
		235,561,134	234,477,104	128,805,950	103,623,981
Total assets		342,529,410	327,913,708	222,176,911	177,141,373

NESTCON BERHAD

(Incorporated in Malaysia)
Registration No. 202001008684 (1365004-W)

ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Equity and liabilities					
Equity					
Share capital	17	77	-	-	-
Invested equity	17	10,400,000	10,400,000	4,950,000	4,950,000
Retained earnings	18	61,844,835	47,543,954	30,934,098	25,479,580
Total equity attributable to the owners of the Company		72,244,912	57,943,954	35,884,098	30,429,580
Non-controlling interests		-	-	5,492,813	3,046,575
Total equity		72,244,912	57,943,954	41,376,911	33,476,155
Non-current liabilities					
Trade payables	19	17,266,094	13,157,205	15,990,096	12,350,745
Bank borrowings	20	3,460,158	315,841	698,765	746,453
Lease liabilities	21	12,585,967	19,095,520	26,272,426	10,060,423
Deferred tax liabilities	12	2,832,646	3,912,002	2,877,233	767,104
		36,144,865	36,480,568	45,838,520	23,924,725
Current liabilities					
Trade payables	19	137,129,594	146,172,682	76,777,792	72,267,807
Other payables and accruals	22	6,371,898	7,589,877	4,700,313	6,439,699
Contract liabilities	15	24,917,044	30,429,816	6,360,794	15,708,928
Amount due to related parties	16	-	-	-	9,101
Amount due to Directors	23	-	8,529	10,927,985	8,824,022
Bank borrowings	20	47,733,643	30,962,207	20,053,995	5,550,677
Lease liabilities	21	13,088,804	14,637,568	12,997,519	6,357,014
Income tax payable		4,898,650	3,688,507	3,143,082	4,583,245
		234,139,633	233,489,186	134,961,480	119,740,493
Total liabilities		270,284,498	269,969,754	180,800,000	143,665,218
Total equity and liabilities		342,529,410	327,913,708	222,176,911	177,141,373

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Revenue	24	344,478,636	422,786,287	217,763,877	190,856,851
Cost of sales		(311,196,052)	(384,910,512)	(190,430,189)	(173,272,898)
Gross profit		33,282,584	37,875,775	27,333,688	17,583,953
Other income		1,327,238	1,232,084	979,951	164,209
Administrative expenses		(10,315,904)	(11,952,660)	(11,443,732)	(7,862,959)
Other operating expenses		(535,920)	(296,183)	(45,400)	(45,400)
Profit from operations		23,757,998	26,859,016	16,824,507	9,839,803
Finance costs	25	(4,547,018)	(4,677,296)	(2,450,679)	(1,290,685)
Share of loss in an associate		-	-	-	(50)
Profit before tax	26	19,210,980	22,181,720	14,373,828	8,549,068
Taxation	27	(4,910,099)	(6,414,677)	(4,473,072)	(2,605,845)
Net profit/total comprehensive income for the financial year		14,300,881	15,767,043	9,900,756	5,943,223
Net profit/total comprehensive income attributable to:					
Owners of the Company		14,300,881	14,586,805	7,454,518	5,483,563
Non-controlling interests		-	1,180,238	2,446,238	459,660
		14,300,881	15,767,043	9,900,756	5,943,223
Earnings per ordinary share attributable to the owners					
- Basic and diluted	30	1.38	1.80	1.51	1.11

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CHANGES IN EQUITY

		← Attributable to owners of the Company →					
		← Non-distributable →		Distributable			
	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total Equity RM
At 1 January 2017		-	4,950,000	19,996,017	24,946,017	2,586,915	27,532,932
Net profit/total comprehensive income for the financial year		-	-	5,483,563	5,483,563	459,660	5,943,223
At 31 December 2017		-	4,950,000	25,479,580	30,429,580	3,046,575	33,476,155
Net profit/total comprehensive income for the financial year		-	-	7,454,518	7,454,518	2,446,238	9,900,756
Dividends paid	28	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
At 31 December 2018		-	4,950,000	30,934,098	35,884,098	5,492,813	41,376,911
Issuance of shares	17	-	3,000,000	-	3,000,000	-	3,000,000
Net profit/total comprehensive income for the financial year		-	-	14,586,805	14,586,805	1,180,238	15,767,043
Changes in ownership interest		-	2,450,000	4,223,051	6,673,051	(6,673,051)	-
Dividends paid	28	-	-	(2,200,000)	(2,200,000)	-	(2,200,000)
At 31 December 2019		-	10,400,000	47,543,954	57,943,954	-	57,943,954

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

		← Attributable to owners of the Company →					
		← Non-distributable →		Distributable			
	Note	Share capital RM	Invested equity RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total Equity RM
At 1 January 2020		-	10,400,000	47,543,954	57,943,954	-	57,943,954
Issuance of shares	17	77	-	-	77	-	77
Net profit/total comprehensive income for the financial year		-	-	14,300,881	14,300,881	-	14,300,881
At 31 December 2020		77	10,400,000	61,844,835	72,244,912	-	72,244,912

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Cash flow from operating activities					
Profit before tax		19,210,980	22,181,720	14,373,828	8,549,068
Adjustments for:					
Depreciation of property, plant and equipment		11,355,948	10,474,978	7,223,762	3,648,387
Depreciation of investment properties		51,613	40,733	45,400	45,400
Gain on disposal of property, plant and equipment		(167,920)	(87,160)	(183,131)	(30,417)
Gain on remeasurement of lease liabilities		(29,234)	-	-	-
Interest expenses		4,547,018	4,677,296	2,450,679	1,290,685
Interest income		(714,142)	(611,443)	(368)	(77,834)
Loss on disposal of investment properties		-	20,300	-	-
Property, plant and equipment written off		484,307	235,150	-	-
Share of loss in an associate		-	-	-	50
Operating profit before changes in working capital		34,738,570	36,931,574	23,910,170	13,425,339
(Increase)/decrease in trade and other receivables		(11,612,761)	(24,653,624)	11,643,579	63,069,751
(Decrease)/increase in trade and other payables		(6,152,178)	69,451,563	6,409,950	(39,763,835)
Decrease/(increase) in contract assets		15,406,295	(42,278,291)	(16,567,038)	2,517,542
(Decrease)/increase in contract liabilities		(5,512,772)	24,069,022	(9,348,134)	3,019,277
Cash generated from operations		26,867,154	63,520,244	16,048,527	42,268,074
Interest received		83,265	74,631	368	77,834
Income tax paid		(5,415,179)	(5,803,945)	(3,624,626)	(1,794,803)
Income tax refunded		67,937	969,462	41,678	-
Net cash generated from operating activities		21,603,177	58,760,392	12,465,947	40,551,105

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Cash flow from investing activities					
Addition of other investments		(2,020,612)	(3,022,954)	-	-
Proceeds from disposal of other investments		3,028,471	-	-	-
Interest received		119,541	-	-	-
Investment in an associate		-	-	-	(50)
Proceeds from disposal of property, plant and equipment		498,600	1,532,500	605,000	80,000
Proceeds from disposal of investment properties		-	680,000	-	-
Purchase of investment properties		(651,406)	(1,267,097)	-	-
Purchase of property, plant and equipment	(a)	(4,638,361)	(5,102,459)	(4,823,162)	(4,561,468)
Net cash used in investing activities		(3,663,767)	(7,180,010)	(4,218,162)	(4,481,518)
Cash flow from financing activities					
Dividend paid		-	(2,200,000)	(2,000,000)	-
Interest paid		(4,547,018)	(4,677,296)	(2,450,679)	(1,290,685)
Issuance of shares		77	-	-	-
Interest received		511,336	536,812	-	-
Placement of pledged deposits with financial institution		(8,173,768)	(5,104,763)	(5,069,217)	(4,780,042)
Movement in restricted cash at bank		(5,859,046)	(10,517,287)	(685,157)	-
Repayment received/(advances to) related parties, net	(b)	11,880,307	(3,795,043)	(8,048,472)	(1,010,360)
(Repayment to)/advances from Director	(b)	(8,529)	(7,919,456)	2,103,963	2,815,724
Repayment of lease liabilities	(b)	(14,019,784)	(15,287,187)	(7,542,071)	(1,852,455)
Drawdown of term loans	(b)	3,864,417	-	-	-
Repayment of term loans	(b)	(149,919)	(406,158)	(45,887)	(44,346)
Net movement of factoring payable	(b)	(2,221,538)	2,581,112	12,124,246	(23,896,289)
Net cash used in financing activities		(18,723,465)	(46,789,266)	(11,613,274)	(30,058,453)

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Net (decrease)/increase in cash and cash equivalents		(784,055)	4,791,116	(3,365,489)	6,011,134
Cash and cash equivalents at beginning of financial year		13,267,882	8,476,766	11,842,255	5,831,121
Cash and cash equivalents at end of financial year	29	12,483,827	13,267,882	8,476,766	11,842,255

(a) Purchase of property, plant and equipment

The Group made the following cash payments to purchase property, plant and equipment:

	2020 RM	2019 RM	2018 RM	2017 RM
Acquisition of property, plant and equipment	10,925,629	14,852,789	35,217,741	17,517,862
Amount settled by lease	(6,287,268)	(9,750,330)	(30,394,579)	(12,956,394)
	4,638,361	5,102,459	4,823,162	4,561,468

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

(b) Changes in liabilities arising from financing activities:

	At 1 January RM	Issuance of shares RM	Re-measurement of lease liabilities RM	Acquisition of new lease RM	Net cash flow RM	At 31 December RM
2020						
Amount due from related parties	(11,880,307)	-	-	-	11,880,307	-
Amount due to Directors	8,529	-	-	-	(8,529)	-
Lease liabilities	33,733,088	-	(325,801)	6,287,268	(14,019,784)	25,674,771
Term loans	342,269	-	-	-	3,714,498	4,056,767
Factoring payable	14,705,358	-	-	-	(2,221,538)	12,483,820
	36,908,937	-	(325,801)	6,287,268	(655,046)	42,215,358
2019						
Amount due from related parties	(8,085,264)	-	-	-	(3,795,043)	(11,880,307)
Amount due to Directors	10,927,985	(3,000,000)	-	-	(7,919,456)	8,529
Lease liabilities	39,269,945	-	-	9,750,330	(15,287,187)	33,733,088
Term loans	748,427	-	-	-	(406,158)	342,269
Factoring payable	12,124,246	-	-	-	2,581,112	14,705,358
	54,985,339	(3,000,000)	-	9,750,330	(24,826,732)	36,908,937

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

(b) Changes in liabilities arising from financing activities: (Cont'd)

	At 1 January RM	Acquisition of new lease RM	Net cash flow RM	At 31 December RM
2018				
Amount due from related parties, net	(36,792)	-	(8,048,472)	(8,085,264)
Amount due to Directors	8,824,022	-	2,103,963	10,927,985
Lease liabilities	16,417,437	30,394,579	(7,542,071)	39,269,945
Term loans	794,314	-	(45,887)	748,427
Factoring payable	-	-	12,124,246	12,124,246
	25,998,981	30,394,579	(1,408,221)	54,985,339
2017				
Amount due to/(from) related parties, net	973,568	-	(1,010,360)	(36,792)
Amount due to Directors	6,008,298	-	2,815,724	8,824,022
Lease liabilities	5,313,498	12,956,394	(1,852,455)	16,417,437
Term loans	838,660	-	(44,346)	794,314
Factoring payable	23,896,289	-	(23,896,289)	-
	37,030,313	12,956,394	(23,987,726)	25,998,981

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ACCOUNTANTS' REPORT (CONT'D)

1. GENERAL INFORMATION

Nestcon Berhad (the "Company") was incorporated on 10 March 2020 under the Companies Act, 2016 as a private limited company. The Company is domiciled in Malaysia.

On 3 September 2020, Nestcon Sdn. Bhd. was converted into a public limited company and assumed its present name of Nestcon Berhad.

The registered office of the Company is located at No.7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur. The principal place of business is located at No. 02-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47180 Puchong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The Company was incorporated to be the holding company for the restructured group pursuant to the internal restructuring exercise as disclosed in Note 2 to this report.

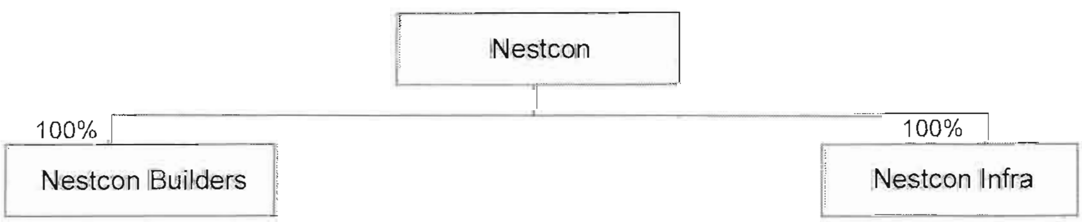
2. RESTRUCTURING EXERCISE

For the purpose of its Proposed Listing on the ACE Market of Bursa Securities ("Proposed Listing"), the Company undertook a restructuring exercise via the acquisition of Nestcon Builders Sdn. Bhd. ("Nestcon Builders") and Nestcon Infra Sdn. Bhd. ("Nestcon Infra") (collectively known as "Group").

The Company was incorporated as a special purpose investment holding vehicle to hold the combining entities pursuant to an internal restructuring.

On 28 August 2020, Nestcon entered into a conditional share sale agreement with Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan (collectively known as "Vendors") to acquire the entire equity interest in Nestcon Builders and Nestcon Infra comprising 2,400,000 and 8,000,000 ordinary shares respectively for a total purchase consideration of RM33,264,500 and RM24,679,400 respectively, satisfied by issuance of new ordinary shares in Nestcon of 277,204,167 and 205,661,666 respectively, at an issue price of RM0.12 per share. On 18 March 2021, pursuant to the share sale agreement, the Company issued and allotted 482,865,833 new ordinary shares of RM0.12 each to Vendors to acquire the entire equity interest in Nestcon Builders and Nestcon Infra. The new Shares issued under the Acquisition rank equally in all respects with existing Nestcon Shares. Thereafter, Nestcon Builders and Nestcon Infra becomes a wholly-owned subsidiary of the Company.

The corporate structure following completion of the Acquisition is as follows:



Nestcon and its combining entities are collectively known as "Group" in the combined financial statements contained in this Accountants' Report.

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ACCOUNTANTS' REPORT (CONT'D)

2. RESTRUCTURING EXERCISE (CONT'D)

Details of the combining entities as at the date of this report are as follows:

Name of combining entities	Date of incorporation	Issued share capital (RM)	Effective equity interest (%) 2020	2019	2018	2017	Principal activities
Nestcon Builders	24 September 2013	2,400,000	100	100	100	100	Engaged in construction works
Nestcon Infra [1,2]	22 August 2001	8,000,000	100	100	51	51	Engaged in construction works

[1] On 27 May 2019, Datuk Ir. Dr. Lim Jee Gin increased its ownership interest from 51% to 100% by acquired the remaining interest in Nestcon Infra.

[2] On 24 December 2020, the associate held by Nestcon Infra, Nestcon Hailong Sdn. Bhd. had been struck off.

All the combining entities within the Group at the date of this report are incorporated in Malaysia.

3. AUDITED COMBINED FINANCIAL STATEMENTS

This Report comprises solely the audited combined financial statements of the combining entities for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020. No financial statement of Nestcon Berhad was included for the financial years ended 31 December 2017 to 31 December 2019 as Nestcon Berhad was only incorporated on 10 March 2020.

4. SHARE CAPITAL

The Company was incorporated on 10 March 2020 with issued and paid-up share capital of RM10 comprising one hundred (100) ordinary shares.

On 25 August 2020, the Company issued 667 new shares at RM0.10 per ordinary share to its existing shareholder for a total consideration of RM67.

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ACCOUNTANTS' REPORT (CONT'D)

5. RELEVANT FINANCIAL YEARS

The relevant financial years of the audited financial statements presented for the purpose of this report ("Relevant Financial Years") and the statutory auditors of the respective companies within the Group are as follows:

Company	Relevant Financial Years	Auditor
Nestcon Builders	FYE 2017	Ecovis Malaysia PLT
	FYE 2018	Ecovis Malaysia PLT
	FYE 2019	Ecovis Malaysia PLT
	FYE 2020	Ecovis Malaysia PLT
Nestcon Infra	FYE 2017	Yeh & Co.
	FYE 2018	Ecovis Malaysia PLT
	FYE 2019	Ecovis Malaysia PLT
	FYE 2020	Ecovis Malaysia PLT

The audited financial statements of combining entities within the Group for the Relevant Financial Years reported above were not subject to any qualification or modification.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

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

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period from the days the control commences, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant years.

The combined financial statements consist of the financial statements of the Group as disclosed in page 6 to 88 of this report, which were under common control throughout the reporting periods by virtue of common controlling shareholder, which is Vendors.

The audited combined financial statements of the Group have been prepared as if the Group has operated as a single economic entity throughout financial years ended 31 December 2017 to 31 December 2020 and have been prepared from the books and records maintained by each entity. No financial statement of Nestcon Berhad was included for the financial years ended 31 December 2017 to 31 December 2019 as Nestcon Berhad was only incorporated on 10 March 2020.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The accounting policies set out in Note 6.4 of this report have been applied in preparing the combined financial statements for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

The combined financial statements are presented in RM, which is also the functional currency of the Group.

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018

The Group has elected to early adopt MFRS 9, 'Financial Instruments' ("MFRS 9"), MFRS 15, 'Revenue from Contracts with Customers' ("MFRS 15") and Clarifications to MFRS 15, 'Revenue from Contracts with Customers, which are mandatory for financial year beginning on or after 1 January 2018. The impacts of the adoption of these MFRSs on the Group's financial statements are as follows:

(a) <u>MFRS 9, 'Financial Instruments'</u>

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of MFRS 9, while the hedge accounting requirements under this Standard are not relevant to the Group. In accordance with the transition requirements under paragraph 7.2.1 of MFRS 9, the Group applies MFRS 9 retrospectively to each prior reporting period presented in the financial statements. The adoption of MFRS 9 had no significant financial impact on the retained earnings as at 1 January 2017.

i. **Changes to the accounting policies**

Financial assets

The Group classifies its financial assets into the following measurement categories depending on the Group's business model for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The available-for-sale ("AFS"), held-to-maturity ("HTM") and loans and receivables financial asset categories were removed.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, 'Financial Instruments' (Cont'd)

i. **Changes to the accounting policies (Cont'd)**

Financial assets (Cont'd)

The following summarises the key changes: (Cont'd)

- A new financial asset category measured at amortised cost was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows only.

- A new financial asset category measured at fair value through other comprehensive income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9 requires impairment assessments to be based on an expected credit loss ("ECL") model, replacing the incurred loss model under MFRS 139, 'Financial Instruments: Recognition and Measurement' ("MFRS 139").

The key changes in relation to impairment of financial assets are as follows:

a. **Financial assets other than trade receivables**

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group, and all the cash flows that the Group expects to receive.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, 'Financial Instruments' (Cont'd)

i. **Changes to the accounting policies** (Cont'd)

Impairment of financial assets (Cont'd)

a. **Financial assets other than trade receivables and contract assets** (Cont'd)

The Group applies a two-step approach to measure the ECL on financial assets other than trade receivables and contract assets:

(i) 12- months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(ii) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

At each financial year end, the Group assesses whether there is a significant increase in credit risk for financial assets other than trade receivables and contract assets since initial recognition by comparing the risk of default on these financial assets as at the financial year end with the risk of default as at the date of initial recognition. The Group considers historical experience on similar assets and other supportive information to assess deterioration in credit quality of these financial assets.

b. **Trade receivables and contract assets**

The Group applies the simplified approach prescribed by MFRS 9 which requires a lifetime ECL to be recognised from initial recognition of the trade receivables and contract assets.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, 'Financial Instruments' (Cont'd)

ii. **Classification and measurement**

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 January 2017:

	Measurement category		Carrying amount as at 1 January 2017	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
Financial assets:				
Trade receivables	Loan and receivables	Amortised cost	177,013,066	177,013,066
Other receivables, deposits and prepayments [1]	Loan and receivables	Amortised cost	1,639,071	1,639,071
Contract assets	-	Amortised cost	-	5,202,170
Cash and bank balances	Loan and receivables	Amortised cost	5,831,121	5,831,121

[1] Prepayments are not financial assets but are included in the presentation to show impact of transition to MFRS 9 on affected financial statement line items.

Financial assets that has previously been classified as available for sales are now reclassified at fair value through profit or loss. Other investment is classified under FVTPL as the Group are acquired the investment principally for collecting contractual cash flows and selling financial assets.

Financial assets that has previously been classified as loans and receivables are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Classification of the Group's financial liabilities remained unchanged. Financial liabilities consisting of trade payables, other payables and accruals, amount due to related parties, amount due to Directors, lease liabilities and bank borrowings which are financial liabilities, continue to be measured at amortised cost.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(b) MFRS 15, 'Revenue from Contracts with Customers'

The Group has elected to early adopt MFRS 15 which is applied retrospectively to each prior period presented in the financial statements. MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under MFRS 15, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 does not change revenue recognition of the Group in the current and prior period.

6.2 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2019

The Group has elected to early adopt MFRS 16, 'Leases' ("MFRS 16"), which are mandatory for financial year beginning on or after 1 January 2019. The impacts of the adoption of these MFRSs on the Group's financial statements are as follows:

(a) MFRS 16, 'Leases'

The Group has elected to early adopt MFRS 16 in financial year beginning on 1 January 2017. In accordance with the transition requirements under the Appendix C, paragraph 5(a) of this standard, the Group applies MFRS 16 retrospectively to each prior reporting period presented in the financial statements.

As a result of the adoption of MFRS 16, the existing requirements to distinguish between finance leases and operating leases under MFRS 117, 'Leases' are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statement of financial position. There are recognition exemptions for short term leases and leases of low value items. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2019 (Cont'd)

(a) MFRS 16, 'Leases' (Cont'd)

The following table presents the impact of changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 as at 1 January 2017:

	As at 31 December 2016 RM	Effect on adoption RM	As at 1 January 2017 RM
Non-current asset			
Property, plant and equipment	20,032,180	451,923	20,484,103
Non-current liability			
Lease liabilities	2,669,385	322,774	2,992,159
Current liability			
Lease liabilities	2,192,190	129,149	2,321,339
Total liabilities	4,861,575	451,923	5,313,498

i. Right-of-use assets comprise long-term lease on properties, motor vehicles and plant and machineries under finance lease agreement. Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

ii. Lease liabilities are recognised and measured applying interest rate implicit in the lease range from 4.96% to 5.97%. Subsequent to the initial recognition, the Group measures lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification.

Other than the above, the Group has elected to apply exemption from application of MFRS 16 for leases of property, plant and equipment expiring within 12 months from date of transition and those of low value underlying assets. The lease payments are recognised as an expense on a straight line basis over the remaining lease term during the current financial period.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 Standards, amendments to published standards and IC interpretations issued but not yet effective

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the combined financial statements. The Group intends to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following financial year:

MFRS (Including the Consequential Amendments)		**Effective Date**
Amendments to MFRS 4	Insurance Contracts – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 7	Financial Instruments: Disclosures - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 9	Financial Instruments - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases – Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Annual Improvement to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9	Financial Instruments - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16	Leases - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 Standards, amendments to published standards and IC interpretations issued but not yet effective (Cont'd)

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the combined financial statements. The Group intends to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following financial year: (Cont'd)

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141	Agriculture – Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Accounting, Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 10	Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128	Investment in Associates and Join Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The initial application of the abovementioned new and amendments to published standards and IC interpretation, where applicable, are not expected to have any material financial impact to the combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies

(a) Basis of combination

Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3")

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

The Group is regarded as a continuing entity since the management of all the combining entities which took part were managed by the Directors and substantially under same major shareholders before and immediately after the restructuring exercise in Note 2. Accordingly, the financial information have been prepared on the basis of merger accounting.

In applying merger accounting, financial statement line items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combining entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the assets, liabilities and equity of the combining entities or businesses are recognised at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming to the Company's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combining entity.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the combining entity are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The combined financial statements were prepared based on the audited financial statements of combining entities which were prepared in accordance with MFRS and IFRS for the purpose of combination. The combining entities maintain their accounting records and prepare the relevant statutory financial statements in accordance with MFRS, IFRS and the requirements of the Act in Malaysia.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(a) Basis of combination (Cont'd)

Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3") (Cont'd)

The Group resulting from the restructuring exercise as disclosed in Note 2, is made up by two entities under common control. Accordingly, the combined financial statements have been accounted for using the principles of merger accounting where financial statement line items of the merged entities for the reporting periods in which the common control combination occur are included in the combined financial statements of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholders.

(b) Basis of consolidation

i. Investment in subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affects the investee's return. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are measured in the Company's separate financial statements at cost less any impairment losses, unless the investment is held for sale (accounted for in accordance with MFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations') or distribution. The cost of investment includes transaction costs.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

i. Investment in subsidiaries (Cont'd)

The policy for the recognition and measurement of impairment losses is in accordance with Note 6.4(g) to this report. On disposal, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in profit or loss.

ii. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, 'Financial Instruments' ("MFRS 9") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

iii. Acquisitions of non-controlling interests

Changes in the Company's ownership interest in a combining entity that do not result in a loss of control are accounted for as equity transactions between the Group and its non-controlling interest holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributable to the equity holders of the Company.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

iv. Loss of control

Upon the loss of control of a combining entity, the Group derecognises the assets and liabilities of the former combining entity, any non-controlling interests and the other components of equity related to the former combining entity from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former combining entity, then such interest is measured at fair value at the date the control ceases. Subsequently it is accounted for as an equity-accounted investee or as an equity instrument at fair value through other comprehensive income ("FVTOCI") depending on the level of influence retained.

v. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a combining entity not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity, separately from equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Losses applicable to non-controlling interests in a combining entity are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and carrying amount of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

vi. Transactions eliminated on consolidation

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

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is ready for its intended use. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, at the following annual rates:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for recognition and measurement of impairment losses is in accordance with Note 6.4(g) to this report.

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(d) Investment properties

Investment properties are freehold and leasehold land and building which are held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the productivity or supply of goods or services or for administrative purposes. Such properties are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6.4(g) to this report.

No depreciation is provided on the freehold land as it has indefinite useful life. Property under construction is also not depreciated as asset is not available for use. Depreciation of freehold and leasehold investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties.

The annual rate used to depreciate the freehold and leasehold investment properties is 2%.

Investment properties are derecognised when they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. The gain or loss arising from the retirement or disposal of an investment properties are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 6.4(c) to this report up to date of change in use.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(e) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associate is accounted for using the equity method. The associate is equity accounted for from the date the Group gains significant influence or joint control until the date the Group ceases to have significant influence over the associate.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of net assets of the associate since the acquisition date.

The statement of comprehensive income reflects the Group's share of the results of operation of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from the transactions between Group and the associate is eliminated to the extent of the investment in associate. The aggregate of the Group's share of profit or loss in associate is shown on the face of the statement of comprehensive income outside operating profit. The Group's share of profit or loss in associate represents profit or loss after tax and non-controlling interest in the associate.

When the Group's share of losses in an associate equals or exceeds its investment in associate, including any long term interests that, in substance, form part of the Group's net investment in associate, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between recoverable amount of the associate and its carrying amount, then recognises the amount in the 'share of result of associate' on the face of the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposals is recognised in the statement of comprehensive income.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(f) Other investment

Other investment is carried at fair value through profit or loss and amortised cost. Where an indication of impairment exists, the carrying amount of the other investment is assessed and written down immediately to its recoverable amount, in line with the accounting policy set out in Note 6.4(i) to this report.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to profit or loss.

(g) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each period at the same time.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use CGU. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in profit or loss except for assets that have been previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rated basis.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(g) Impairment of non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is credited to profit or loss in the financial year in which the reversal is recognised.

(h) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash and bank balances, deposits, 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, net of bank overdrafts and exclude deposits and bank balances pledged to secure banking facilities.

(i) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 are as below:

i. **Financial assets measured at amortised cost**

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objectives are to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

ii. Financial assets measured at fair value

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group does not have any financial assets measured at FVTOCI.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group' right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

Impairment of financial assets

The Group assesses at each financial years end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses historical experience and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measure the impairment loss on financial assets other than trade receivables and contract assets based on the two-step approach. If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

For trade receivables and contract assets, the Group measures impairment loss based on lifetime ECL at each reporting date until the financial assets are derecognised.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(j) Financial liabilities

i. Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

a. Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group does not have any financial liabilities at FVTPL in the current financial year and previous financial years.

b. Other financial liabilities

The Group's other financial liabilities consist of payables, bank borrowings and lease liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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ACCOUNTANTS' REPORT (CONT'D)

6. **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

6.4 Significant accounting policies (Cont'd)

(j) Financial liabilities (Cont'd)

ii. Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) Contract assets and contract liabilities

Contract assets is the right to consideration for goods or services transferred to the customers. Contract assets is the excess of cumulative revenue earned over the billings to date. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract assets.

Contract liabilities is the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer. Contract liabilities is the excess of the billings to date over the cumulative revenue earned. Contract liabilities include advance payment and downpayments received from customers and other amounts where the Group has billed before the goods are delivered or services are provided to the customers.

(l) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i. Provision for defects liability

A provision is recognised when contract customer issues Certificates of Practical Completion ("CPC") after the completion of contractual performance obligation. The Group has also considered their past experience with rectifying defects for certain type of building construction.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(l) Provisions for liabilities (Cont'd)

i. Provision for defects liability (Cont'd)

The provision for defect liability are reversed as and when expenses are incurred to perform defects rectification, and entirely at the end of defects liability period. Any under-provision will be charged to profit or loss during the financial year.

ii. Provision for onerous contract

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the report are authorised for issue, is not recognised as liability at the reporting date.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(o) Leases

i. As lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets or lease term whichever is earlier.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications

ii. As lessor

Leases where the Group retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(p) Revenue recognition

The Group recognises revenue from contracts with customers based on the five-step model as set out in MFRS 15:

i. Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the combining entities expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

i. Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; or

ii. Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(p) Revenue recognition (Cont'd)

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligation in contracts with customers:

i. **Revenue from contracts with customers**

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promised good or service to the customer, which is when customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Construction contracts

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

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

If control of the asset transfers at a point in time, revenue is recognised at a point in time when the customer obtains control of the asset.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(p) Revenue recognition (Cont'd)

i. Revenue from contracts with customers (Cont'd)

Construction contracts (Cont'd)

The Group become entitled to invoice customer for construction service based on achieving a series of performance-related milestones. The Group recognised a contract asset for any excess of revenue recognised to date over the billing-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any payment received from customers then the Group recognise a contract liability for the difference.

ii. Rental of machineries

Rental income is recognised on a straight line basis over the lease term on accrual basis.

(q) Other income

i. Interest income

Interest income is recognised on an accrual basis that reflects the effective yield of the asset.

(r) Employee benefits

i. Short-term employee benefits

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expenses in the financial year in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences.

Non-accumulating compensated absences, such as sick leave, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

Profit-sharing and bonus plans are recognised when the Group has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group has no realistic alternative but to make the payments.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(r) Employee benefits (Cont'd)

ii. Defined contribution plans

Defined contributions plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(s) Taxes

i. Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous financial year.

Current taxes is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

ii. Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(s) Taxes (Cont'd)

ii. Deferred tax (Cont'd)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is charged or credited in other comprehensive income or directly in equity.

iii. Goods and Service Tax ("GST") and Sales and Service Tax ("SST")

Revenue, expenses and assets are recognised net of GST or SST except:

- where the GST or SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST or SST is recognised as part of cost of acquisition of asset or as part of the expense item as applicable; and
- receivables and payables that stated with GST or SST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The Malaysian Government has zero rated the GST effective from 1 June 2018. The GST has been replaced with SST which came into effect on 1 September 2018. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

(t) Related parties

A related party is a person or an entity that is related to the Group under the following conditions:

i. A person or a close member of that person's family:

a. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
b. has control or joint control over the reporting entity; or
c. has significant influence over the reporting entity.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(t) Related parties (Cont'd)

A related party is a person or an entity that is related to the Group under the following conditions: (Cont'd)

ii. Any one of the following condition applies:

a. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
b. either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
c. both entities are joint ventures of a third entity.
d. either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
e. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
f. the entity is controlled or jointly controlled by a person identified in (i).
g. a person identified in (i)(b) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

iii. Directly, or indirectly through one or more intermediaries, the party:

a. controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
b. has an interest in the entity that gives it significant influence over the entity; or
c. has joint control over the entity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

i. that person's children and spouse or domestic partner;
ii. children of that person's spouse or domestic partner; and
iii. dependants of that person or that person's spouse or domestic partner.

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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 measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(u) Fair value measurements (Cont'd)

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation technique as follows:

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

Level 2: inputs other than quoted prices included within 1 level that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(w) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the years, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(x) Operating segment

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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with MFRS requires management to exercise their judgement in the process of applying the Group's accounting policies and the use of accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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ACCOUNTANTS' REPORT (CONT'D)

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below:

(a) Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimation total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluate based on past experience.

(b) Measurement of income taxes

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

(c) Impairment of financial assets

The Group recognised impairment losses for trade and other receivables using the ECL model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Classification of a property as an investment property or property, plant and equipment

Certain property comprises of a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group accounts for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply or goods and services or for administrative purposes. Management uses its judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

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7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below: (Cont'd)

(e) Useful lives of property, plant and equipment

MFRS 116, 'Property, Plant and Equipment' requires the review of the residual value and remaining useful life of an item of property, plant and equipment at each financial year end. The Group reviewed the residual values and remaining useful lives of its property, plant and equipment and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

(f) Classification of non-current bank borrowings

Bank facilities agreements entered into by the Group include clauses for repayment on demand at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of loans at reporting date have been classified between current and non-current liabilities based on their repayment period.

(g) Measurement of right-of-use assets and lease liabilities

The right-of-use assets are depreciated on the straight-line basis over the assets' useful lives or lease term, whichever is earlier. Management estimates the useful lives of these assets based on expected usage level and current conditions of the assets with proper maintenance schedule, therefore future depreciation charges could be revised.

The lease term has been determined based on the non-cancellable period of lease in term and conditions of the arrangements together with both:

i. periods covered by an option to extend the leases; and
ii. periods covered by an option to terminate the lease.

In determining whether it is reasonably certain that an option to extend the lease or not to exercise an option to terminate the lease will be exercised, management has considered all relevant factors and circumstances that have created the economic incentives to exercise such option when exercising its judgement in the assessment.

The lease terms and incremental borrowing rates have been determined using appropriate assumptions as necessary including management's estimation of the application internal costs.

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8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Building equipment RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Tools and equipment RM	Total RM
Cost										
At 1 January 2017	451,923	6,581,232	90,470	408,268	13,959,948	549,713	136,635	55,550	48,614	22,282,353
Additions	317,815	3,326,841	64,315	89,513	5,759,503	7,206,938	95,451	401,324	256,162	17,517,862
Disposals	-	-	-	-	(50,000)	-	-	-	-	(50,000)
At 31 December 2017 / 1 January 2018	769,738	9,908,073	154,785	497,781	19,669,451	7,756,651	232,086	456,874	304,776	39,750,215
Additions	556,042	4,311,006	95,602	34,195	24,535,526	5,068,846	105,015	60,762	450,747	35,217,741
Disposals	-	-	-	-	(451,604)	-	-	-	(15,000)	(466,604)
At 31 December 2018 / 1 January 2019	1,325,780	14,219,079	250,387	531,976	43,753,373	12,825,497	337,101	517,636	740,523	74,501,352
Additions	195,621	3,393,042	46,613	7,782	5,417,204	4,223,973	20,498	-	1,548,056	14,852,789
Disposals	-	-	-	-	(1,089,610)	(815,000)	-	-	-	(1,904,610)
Written off	-	-	-	-	(190,000)	(134,227)	-	-	(6,754)	(330,981)
At 31 December 2019	1,521,401	17,612,121	297,000	539,758	47,890,967	16,100,243	357,599	517,636	2,281,825	87,118,550
Additions	853,559	1,278,559	157,895	41,577	5,456,153	2,708,354	53,267	26,824	349,441	10,925,629
Disposals	-	(453,600)	-	-	-	(70,000)	-	-	-	(523,600)
Written off	-	-	-	-	(593,000)	-	(3,624)	-	-	(596,624)
Reassessment	(931,899)	-	-	-	-	-	-	-	-	(931,899)
Reversal	(415,598)	-	-	-	-	-	-	-	-	(415,598)
At 31 December 2020	1,027,463	18,437,080	454,895	581,335	52,754,120	18,738,597	407,242	544,460	2,631,266	95,576,458

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8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land and buildings RM	Building equipment RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Tools and equipment RM	Total RM
Accumulated depreciation										
At 1 January 2017	-	829,398	29,734	86,496	637,638	150,375	35,473	26,542	2,594	1,798,250
Depreciation charges	185,795	792,752	28,341	47,294	1,712,530	788,820	34,049	22,608	36,198	3,648,387
Disposals	-	-	-	-	(417)	-	-	-	-	(417)
At 31 December 2017 / 1 January 2018	185,795	1,622,150	58,075	133,790	2,349,751	939,195	69,522	49,150	38,792	5,446,220
Depreciation charge	313,839	1,442,353	42,215	64,313	3,030,707	2,078,004	46,561	101,009	104,761	7,223,762
Disposals	-	-	-	-	(43,735)	-	-	-	(1,000)	(44,735)
At 31 December 2018 / 1 January 2019	499,634	3,064,503	100,290	198,103	5,336,723	3,017,199	116,083	150,159	142,553	12,625,247
Depreciation charge	467,520	1,577,476	47,332	57,728	4,662,059	3,154,075	56,663	88,526	363,599	10,474,978
Disposals	-	-	-	-	(321,270)	(138,000)	-	-	-	(459,270)
Written off	-	-	-	-	(42,750)	(48,916)	-	-	(4,165)	(95,831)
At 31 December 2019	967,154	4,641,979	147,622	255,831	9,634,762	5,984,358	172,746	238,685	501,987	22,545,124
Depreciation charge	471,655	1,796,269	65,486	57,116	4,954,162	3,376,624	53,188	87,722	493,726	11,355,948
Disposals	-	(147,420)	-	-	-	(45,500)	-	-	-	(192,920)
Written off	-	-	-	-	(110,833)	-	(1,484)	-	-	(112,317)
Reassessment	(635,332)	-	-	-	-	-	-	-	-	(635,332)
Reversal	(415,598)	-	-	-	-	-	-	-	-	(415,598)
At 31 December 2020	387,879	6,290,828	213,108	312,947	14,478,091	9,315,482	224,450	326,407	995,713	32,544,905
Carrying amounts										
At 31 December 2020	639,584	12,146,252	241,787	268,388	38,276,029	9,423,115	182,792	218,053	1,635,553	63,031,553
At 31 December 2019	554,247	12,970,142	149,378	283,927	38,256,205	10,115,885	184,853	278,951	1,779,838	64,573,426
At 31 December 2018	826,146	11,154,576	150,097	333,873	38,416,650	9,808,298	221,018	367,477	597,970	61,876,105
At 31 December 2017	583,943	8,285,923	96,710	363,991	17,319,700	6,817,456	162,564	407,724	265,984	34,303,995

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ACCOUNTANTS' REPORT (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Right-of-use assets

The right-of-use assets represent operating lease agreements entered into by the Group for the use of land, office and staff hostel. The leases are mainly for an initial lease of one (1) to three (3) years with option to renew for another one (1) to three (3) years.

The Group also has leased building equipment, machinery and motor vehicles with lease term of one (1) to seven (7) years.

Additional information on the right-of-use assets is as follow:

	Building equipment RM	Land and buildings RM	Machinery RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2017	6,184,892	451,923	3,896,088	439,713	10,972,616
Addition	1,956,979	317,815	4,150,889	6,530,711	12,956,394
At 31 December 2017	8,141,871	769,738	8,046,977	6,970,424	23,929,010
Addition	4,311,006	556,042	20,560,525	4,967,006	30,394,579
At 31 December 2018	12,452,877	1,325,780	28,607,502	11,937,430	54,323,589
Addition	2,553,469	195,621	5,356,268	1,644,972	9,750,330
At 31 December 2019	15,006,346	1,521,401	33,963,770	13,582,402	64,073,919
Addition	-	853,559	2,805,354	2,628,355	6,287,268
Written off	-	-	(593,000)	-	(593,000)
Reclassification	-	-	-	(494,843)	(494,843)
Reassessment	-	(931,899)	-	-	(931,899)
Reversal	-	(415,598)	-	-	(415,598)
At 31 December 2020	15,006,346	1,027,463	36,176,124	15,715,914	67,925,847
Accumulated depreciation					
At 1 January 2017	757,937	-	508,742	135,709	1,402,388
Depreciation charges	698,124	185,795	638,756	697,266	2,219,941
At 31 December 2017	1,456,061	185,795	1,147,498	832,975	3,622,329
Depreciation charges	1,248,336	313,839	1,812,923	1,910,324	5,285,422
At 31 December 2018	2,704,397	499,634	2,960,421	2,743,299	8,907,751
Depreciation charges	1,392,806	467,520	3,246,909	2,602,966	7,710,201
At 31 December 2019	4,097,203	967,154	6,207,330	5,346,265	16,617,952
Depreciation charges	1,500,635	471,655	3,484,801	2,874,197	8,331,288
Written off	-	-	(110,833)	-	(110,833)
Reclassification	-	-	-	(419,406)	(419,406)
Reassessment	-	(635,332)	-	-	(635,332)
Reversal	-	(415,598)	-	-	(415,598)
At 31 December 2020	5,597,838	387,879	9,581,298	7,801,056	23,368,071

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ACCOUNTANTS' REPORT (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Right-of-use assets (Cont'd)

Additional information on the right-of-use assets is as follow: (Cont'd)

	Building equipment RM	Land and buildings RM	Machinery RM	Motor vehicles RM	Total RM
Carrying amount					
At 31 December 2020	9,408,508	639,584	26,594,826	7,914,858	44,557,776
At 31 December 2019	10,909,143	554,247	27,756,440	8,236,137	47,455,967
At 31 December 2018	9,748,480	826,146	25,647,081	9,194,131	45,415,838
At 31 December 2017	6,685,810	583,943	6,899,479	6,137,449	20,306,681

9. INVESTMENT PROPERTIES

	Property under constructions RM	Freehold land and building RM	Leasehold buildings RM	Total RM
Cost				
At 1 January 2017/ 31 December 2017/ 31 December 2018	-	-	2,270,000	2,270,000
Addition	499,097	768,000	-	1,267,097
Disposal	-	-	(745,000)	(745,000)
At 31 December 2019	499,097	768,000	1,525,000	2,792,097
Addition	651,406	-	-	651,406
Reclassification	(1,150,503)	-	1,150,503	-
At 31 December 2020	-	768,000	2,675,503	3,443,503
Accumulated depreciation				
At 1 January 2017	-	-	45,400	45,400
Depreciation charge	-	-	45,400	45,400
At 31 December 2017	-	-	90,800	90,800
Depreciation charge	-	-	45,400	45,400
At 31 December 2018	-	-	136,200	136,200
Depreciation charge	-	10,233	30,500	40,733
Disposal	-	-	(44,700)	(44,700)
At 31 December 2019	-	10,233	122,000	132,233
Depreciation charge	-	15,360	36,253	51,613
At 31 December 2020	-	25,593	158,253	183,846

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9. INVESTMENT PROPERTIES (CONT'D)

	Property under constructions RM	Freehold land and building RM	Leasehold buildings RM	Total RM
Carrying amount				
At 31 December 2020	-	742,407	2,517,250	3,259,657
At 31 December 2019	499,097	757,767	1,403,000	2,659,864
At 31 December 2018	-	-	2,133,800	2,133,800
At 31 December 2017	-	-	2,179,200	2,179,200

(a) The Group's leasehold buildings has been pledged as security for the bank borrowings obtained from a licensed bank as disclosed in Note 20 to this report.

(b) The title of the investment properties is yet to received.

(c) The fair value of investment properties are as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Freehold land and building	768,000	768,000	-	-
Leasehold buildings	2,680,000	1,800,000	2,800,000	2,800,000
	3,448,000	2,568,000	2,800,000	2,800,000

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

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10. INVESTMENT IN AN ASSOCIATE

	2020 RM	2019 RM	2018 RM	2017 RM
Unquoted shares, at cost	-	50	50	50
Less: Share of loss on investment in an associate (50%)	-	(50)	(50)	(50)
	-	-	-	-

On 16 November 2017, Nestcon Infra subscribed 50% equity interest (representing 50 ordinary shares) in an associate, Nestcon Hailong Sdn. Bhd. at a price of RM50.

On 24 December 2020, Nestcon Hailong Sdn. Bhd. had been struck off.

The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest 2020 %	2019 %	2018 %	2017 %	Principal Activity
Nestcon Hailong Sdn. Bhd. *~	Malaysia	-	50	50	50	Assembly and erection of prefabricated constructions on the site and also hiring of machinery

Notes:

* Not audited by Ecovis Malaysia PLT

~ Summarised financial statement information of Nestcon Hailong Sdn. Bhd. has not presented as the associate is not individually material to the Group

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11. OTHER INVESTMENTS

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Non-current					
Financial asset at amortised cost	(a)	1,941,188	-	-	-
Current					
Financial asset at fair value through profit or loss	(b)	73,907	3,022,954	-	-
Total other investments		2,015,095	3,022,954	-	-

(a) Financial asset at amortised cost

The financial asset represents the insurance policy as a security to the term loan as disclosed in Note 20 to this report. This financial asset carries in effective interest rate range from 2.39% to 2.43% (2019: Nil, 2018: Nil, 2017: Nil) per annum and to be receive after five years.

	2020 RM	2019 RM	2018 RM	2017 RM
Nominal				
At 1 January	-	-	-	-
Additional	2,145,727	-	-	-
At 31 December	2,145,727	-	-	-
Less: Discount				
At 1 January	-	-	-	-
Additional	243,516	-	-	-
Unwinding of discount	(38,977)	-	-	-
At 31 December	204,539	-	-	-
Carrying amount at 31 December	1,941,188	-	-	-

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

The financial asset represents investment in mutual funds in Malaysia.

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

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12. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relates to the same tax authority.

	2020 RM	2019 RM	2018 RM	2017 RM
Deferred tax assets	567,930	-	-	144,698
Deferred tax liabilities	(2,832,646)	(3,912,002)	(2,877,233)	(767,104)
	(2,264,716)	(3,912,002)	(2,877,233)	(622,406)
Deferred tax assets (before offsetting)				
Provisions	1,531,916	117,044	193,935	710,632
Unabsorbed capital allowance and unutilised tax losses carry forward	-	-	-	526,118
	1,531,916	117,044	193,935	1,236,750
Offsetting	(963,986)	(117,044)	(193,935)	(1,092,052)
Deferred tax assets (after offsetting)	567,930	-	-	144,698
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(3,796,632)	(4,029,046)	(3,071,168)	(1,859,156)
Offsetting	963,986	117,044	193,935	1,092,052
Deferred tax liabilities (after offsetting)	(2,832,646)	(3,912,002)	(2,877,233)	(767,104)

The components and movements of the Group's deferred tax assets and liabilities are as follows:

	Note	Provisions RM	Property, plant and equipment RM	Unabsorbed capital allowance and unutilised tax losses carry forward RM	Total RM
At 1 January 2017		-	(1,321,846)	840,141	(481,705)
Recognised in profit or loss	27	710,632	(537,310)	(314,023)	(140,701)
At 31 December 2017		710,632	(1,859,156)	526,118	(622,406)

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12. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES) (CONT'D)

The components and movements of the Group's deferred tax assets and liabilities are as follows: (Cont'd)

	Note	Provisions RM	Property, plant and equipment RM	Unabsorbed capital allowance and unutilised tax losses carry forward RM	Total RM
At 1 January 2018		710,632	(1,859,156)	526,118	(622,406)
Recognised in profit or loss	27	(516,697)	(1,212,012)	(526,118)	(2,254,827)
At 31 December 2018		193,935	(3,071,168)	-	(2,877,233)
Recognised in profit or loss	27	(76,891)	(957,878)	-	(1,034,769)
At 31 December 2019		117,044	(4,029,046)	-	(3,912,002)
Recognised in profit or loss	27	1,414,872	232.414	-	1,647,286
At 31 December 2020		1,531,916	(3,796,632)	-	(2,264,716)

13. TRADE RECEIVABLES

	2020 RM	2019 RM	2018 RM	2017 RM
Non-current:				
Retention sum receivables				
- Third parties	38,167,948	26,056,552	23,818,518	28,628,064
- Related parties	-	146,762	5,542,538	8,261,435
	38,167,948	26,203,314	29,361,056	36,889,499

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13. TRADE RECEIVABLES (CONT'D)

	2020 RM	2019 RM	2018 RM	2017 RM
Current:				
Receivables from contract with customers				
- Third parties	65,243,059	48,732,477	43,199,625	43,824,455
- Associate	-	34,643	248,643	-
- Related parties	-	14,485,273	3,110,849	28,987,085
	65,243,059	63,252,393	46,559,117	72,811,540
Retention sum receivables				
- Third parties	20,892,666	22,102,465	16,153,419	1,666,332
- Related parties	4,357,547	5,425,535	5,278,774	-
	25,250,213	27,528,000	21,432,193	1,666,332
	90,493,272	90,780,393	67,991,310	74,477,872
Total trade receivables	128,661,220	116,983,707	97,352,366	111,367,371
Retention sum receivables	(63,418,161)	(53,731,314)	(50,793,249)	(38,555,831)
Trade receivables at amortised cost	65,243,059	63,252,393	46,559,117	72,811,540

The progress billings are due within 45 days (2019: 45 days, 2018: 45 days, 2017: 45 days) as stipulated in construction contracts. The retention sums are due upon the expiry of the defect liability period stated in the respective construction contracts.

Ageing analysis on trade receivables

The ageing analysis of the Group's trade receivables are as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Trade receivables				
Neither past due nor impaired	33,176,596	41,570,714	8,990,701	22,650,233
Past due				
- less than 30 days	12,176,186	9,650,361	13,813,016	12,542,910
- 31 to 60 days	8,969,834	992,250	6,663,502	6,363,242
- 61 to 90 days	928,979	79,681	5,323,642	1,585,222
- over 90 days	9,991,464	10,959,387	11,768,256	29,669,933
	32,066,463	21,681,679	37,568,416	50,161,307
	65,243,059	63,252,393	46,559,117	72,811,540

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13. TRADE RECEIVABLES (CONT'D)

Receivables that are neither past due nor impaired

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

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM32,066,463 (2019: RM21,681,679, 2018: RM37,568,416, 2017: RM50,161,307) that are past due but not impaired at the reporting date. The remaining receivables that are past due but not impaired are expected to be collected in the next 12 months.

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

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RM	2019 RM	2018 RM	2017 RM
Other receivables	1,938,093	6,776,656	2,300,384	2,155,492
Deposits	5,172,143	2,209,857	1,617,400	895,873
Prepayments	4,433,736	2,622,211	2,668,657	1,163,650
	11,543,972	11,608,724	6,586,441	4,215,015

Included in deposits is an amount of RM19,500 (2019: RM19,500, 2018: RM19,500, 2017: RM19,500) paid to a Director of the Group.

15. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	2020 RM	2019 RM	2018 RM	2017 RM
Contract assets	46,123,662	61,529,957	19,251,666	2,684,628
Contract liabilities	(24,917,044)	(30,429,816)	(6,360,794)	(15,708,928)
	21,206,618	31,100,141	12,890,872	(13,024,300)

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15. CONTRACT ASSETS/(CONTRACT LIABILITIES) (CONT'D)

Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers. Contract liabilities primarily relate to the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer according to contract works certified. Contract liabilities are recognised as revenue as the Group performs under the contract.

(a) **Movement in contract assets and contract liabilities**

	2020 RM	2019 RM	2018 RM	2017 RM
Contract assets / (Contract liabilities)				
At 1 January	31,100,141	12,890,872	(13,024,300)	(7,487,481)
Net revenue recognised	344,478,636	422,274,363	210,731,866	183,427,686
Net progress billing	(354,372,159)	(404,065,094)	(184,816,694)	(188,964,505)
At 31 December	21,206,618	31,100,141	12,890,872	(13,024,300)

Revenue recognised during financial year which was included in contract liabilities balance at the beginning for the financial year is RM30,429,816 (2019: RM6,360,794, 2018: RM15,708,928, 2017: RM12,689,651).

(b) **Amount due from companies in which certain Director have financial interest**

	2020 RM	2019 RM	2018 RM	2017 RM
Contract assets	-	-	296,704	487,232
Contract liabilities	-	-	(6,360,794)	(15,408,927)
	-	-	(6,064,090)	(14,921,695)

(c) **Transaction price allocated to remaining performance obligation**

The Group expects to recognise revenue from remaining performance obligation for the construction contracts as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Within one year	838,499,448	707,771,653	323,780,839	148,754,659
Later than one year but not later than five years	314,735,441	568,473,761	320,048,788	190,009,581
	1,153,234,889	1,276,245,414	643,829,627	338,764,240

16. AMOUNT DUE FROM/(TO) RELATED PARTIES

The amount due from/(to) related parties are unsecured, interest free and payable on demand in cash and cash equivalents.

17. SHARE CAPITAL AND INVESTED EQUITY

For the purpose of this report, the total number of shares for all financial year end represents the aggregate number of issued and fully paid-up shares of all entities within the Group, net of shares held by non-controlling interest.

The movement in the issued and paid-up share capital of its combining entities are as follows:

(a) Share capital

	2020		2019		2018		2017	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Company								
Issued and fully paid up:								
At date of incorporation/ 1 January	100	10	-	-	-	-	-	-
Issued during the financial period	667	67	-	-	-	-	-	-
At 31 December	767	77	-	-	-	-	-	-

On 10 March 2020, Nestcon Berhad was incorporated with issued and paid-up share capital of RM10 comprising 100 ordinary shares.

On 25 August 2020, Nestcon Berhad issued 667 new shares at RM0.10 per ordinary share to its existing shareholder for a total consideration of RM67.

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17. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

The movement in the issued and paid-up share capital of its combining entities are as follows: (Cont'd)

(b) Invested equity

	2020		2019		2018		2017	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Nestcon Builders								
Authorised:								
At 1 January	-	-	-	-	-	-	2,400,000	2,400,000
Effects of adoption of the Companies Act, 2016	-	-	-	-	-	-	(2,400,000)	(2,400,000)
At 31 December	-	-	-	-	-	-	-	-
Issued and fully paid up:								
At 1 January / 31 December	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Nestcon Infra								
Authorised:								
At 1 January	-	-	-	-	-	-	2,550,000	2,550,000
Effects of adoption of the Companies Act, 2016	-	-	-	-	-	-	(2,550,000)	(2,550,000)
At 31 December	-	-	-	-	-	-	-	-

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17. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

The movement in the issued and paid-up share capital of its combining entities are as follows: (Cont'd)

(b) Invested equity (Cont'd)

	2020		2019		2018		2017	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Issued and fully paid up:								
At 1 January	8,000,000	8,000,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
Issued during the financial year	-	-	3,000,000	3,000,000	-	-	-	-
Changes in ownership interest	-	-	2,450,000	2,450,000	-	-	-	-
At 31 December	8,000,000	8,000,000	8,000,000	8,000,000	2,550,000	2,550,000	2,550,000	2,550,000
Total invested equity	10,400,000	10,400,000	10,400,000	10,400,000	4,950,000	4,950,000	4,950,000	4,950,000

The new Companies Act, 2016 which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concept of "authorised share capital" and "par value" have been abolished. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

On 12 June 2019, Nestcon Infra issued 3,000,000 new shares at RM1 per ordinary share to its existing shareholder for a total consideration of RM3,000,000.

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18. RETAINED EARNINGS

The Group policy is to treat all gains and losses in other statement of comprehensive income (i.e. nonowner transactions or events) as revenue reserves. Other than retained earnings, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders.

The retained earnings of the Group are available for distributions by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences to the Group that would result from the payment of dividends to shareholders. The dividends would not be taxable in the hands of the shareholders.

19. TRADE PAYABLES

	2020 RM	2019 RM	2018 RM	2017 RM
Non-current:				
Retention sum payables				
- Third parties	17,119,332	12,863,681	15,726,332	12,350,745
- Related parties	146,762	293,524	263,764	-
	17,266,094	13,157,205	15,990,096	12,350,745
Current:				
Trade payables				
- Third parties	124,383,280	131,595,413	71,644,743	69,774,288
- Related parties	1,049,756	1,905,273	2,736,166	271,272
	125,433,036	133,500,686	74,380,909	70,045,560
Retention sum payables				
- Third parties	11,549,796	12,671,996	2,396,883	2,222,247
- Related parties	146,762	-	-	-
	11,696,558	12,671,996	2,396,883	2,222,247
	137,129,594	146,172,682	76,777,792	72,267,807
Total trade payables	154,395,688	159,329,887	92,767,888	84,618,552
Retention sum payables	(28,962,652)	(25,829,201)	(18,386,979)	(14,572,992)
Trade payables at amortised cost	125,433,036	133,500,686	74,380,909	70,045,560

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days, 2018: 30 to 90 days, 2017: 30 to 90 days)

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20. BANK BORROWINGS

	2020 RM	2019 RM	2018 RM	2017 RM
Secured:				
Current:				
- Term loans	596,609	26,428	49,662	47,861
- Bank overdraft	34,653,214	16,230,421	7,880,087	5,502,816
- Factoring payable	12,483,820	14,705,358	12,124,246	-
	47,733,643	30,962,207	20,053,995	5,550,677
Non-current:				
- Term loans	3,460,158	315,841	698,765	746,453
Maturity of borrowings:				
- Not later than one year	47,733,643	30,962,207	20,053,995	5,550,677
- Later than one year and not later than five years	2,003,046	117,436	222,081	212,671
- Later than five years	1,457,112	198,405	476,684	533,782
	51,193,801	31,278,048	20,752,760	6,297,130

The above bank borrowings which are obtained from banking institutions are secured on the following:

(a) Bank overdraft

(i) Open All Monies Facilities Agreement to be entered into between the Borrower and the Bank;

(ii) First party pledge of fixed deposit of 10% each issuance of letter of credit or trust receipts to be created by the Borrower by way of an Open All Monies Memorandum of Deposit. The interest earned shall be capitalised and retained as security;

(iii) Pledge of fixed deposit of RM10,000,000 by way of sinking fund build-up via 5% retention from each progress payment as and when received from the Exsim Contract with duly executed Open All Monies Memorandum of Deposit to be executed by the Borrower. The interest earned shall be capitalised and retained as security;

(iv) An assignment and a fixed charge over receivables;

(v) Fixed charge over the designated collections account, sinking fund account and other accounts;

(vi) Charge over goods as defined under Master Security Agreement;

(vii) Charge over all payments or deposit from time to time paid or deposited into accounts opened or to be opened or maintained by the Group with any branch of the Bank which requires to be charged to the bank for all monies owing or payable under the facilities;

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ACCOUNTANTS' REPORT (CONT'D)

20. BANK BORROWINGS (CONT'D)

The above bank borrowings which are obtained from banking institutions are secured on the following: (Cont'd)

(a) **Bank overdraft (Cont'd)**

(viii) Open All Monies joint and several guarantee by Directors of the combining entities; and

(ix) Corporate guarantee by combining entity, Nestcon Builders.

The bank overdraft bear interest range from 1% to 1.25% above the Base Lending Rate per annum.

(b) **Factoring payable**

(i) Assignment of contract proceeds by way of Factoring Agreement; and

(ii) Joint and several guarantee by Directors of the combining entities.

The factoring payable bear the initial payment charge of 1.0% above Base Lending Rate per annum and the factoring charge of 0.10% flat on all certified progress claims.

(c) **Term loans**

(i) All Monies Facilities agreement as principal instruments;

(ii) All Monies Legal Charge or all Monies Deed of Assignment and Power of Attorney over investment properties as disclosed in Note 9 of this report as subsidiary instrument;

(iii) Equitable assignment of rental proceeds is to be created over investment properties as disclosed in Note 9 of this report;

(iv) Joint and several guarantee by the Directors of the combining entities;

(v) An insurance policy with sum assured of not less than RM5,000,000 is to be taken up under the name of Directors of the combining entities and assigned to the bank; and

(vi) Credit Guarantee Corporation Malaysia Berhad's guarantee under BizJamin Special Relief Facility.

Term loans bear interest rate from 3.17% to 5.57% (2019: 4.17%, 2018: 4.42%, 2017: 4.17%) per annum.

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21. LEASE LIABILITIES

	2020 RM	2019 RM	2018 RM	2017 RM
Minimum lease payments:				
- Not later than one year	14,256,415	16,229,143	15,013,475	7,138,015
- Later than one year and not later than five years	13,256,617	20,002,660	28,030,425	10,504,474
- Later than five years	113,713	177,112	182,455	188,845
	27,626,745	36,408,915	43,226,355	17,831,334
Less: Future interest charges	(1,951,974)	(2,675,827)	(3,956,410)	(1,413,897)
Present value of lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437
Represented by:				
Current:				
- Not later than one year	13,088,804	14,637,568	12,997,519	6,357,014
Non-current:				
- Later than one year and not later than five years	12,475,076	18,923,562	26,096,902	9,944,955
- Later than five years	110,891	171,958	175,524	115,468
	12,585,967	19,095,520	26,272,426	10,060,423
Present value of lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437

Certain lease liabilities of the Group are secured by personal guarantee by the Directors of the combining entities and corporate guarantee by combining entity, Nestcon Builders.

The lease liabilities bear effective annual interest rate as at end of the reporting period range from 4.00% to 6.59% (2019: 4.35% to 8.40%, 2018: 4.46% to 8.40%, 2017: 4.46% to 6.86%) per annum.

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ACCOUNTANTS' REPORT (CONT'D)

22. OTHER PAYABLES AND ACCRUALS

	2020 RM	2019 RM	2018 RM	2017 RM
Other payables	2,601,024	4,464,705	1,559,995	2,260,114
Provision	2,529,920	487,683	808,064	2,960,957
Accruals	1,240,954	2,187,489	2,332,254	1,218,628
Deposits received	-	450,000	-	-
	6,371,898	7,589,877	4,700,313	6,439,699

23. AMOUNT DUE TO DIRECTORS

The amount due to Directors are unsecured, interest free and payable on demand in cash and cash equivalents.

24. REVENUE

	2020 RM	2019 RM	2018 RM	2017 RM
Construction contracts	344,478,636	422,724,363	214,281,866	187,810,493
Rental of machineries	-	61,924	3,482,011	3,046,358
	344,478,636	422,786,287	217,763,877	190,856,851
Timing of revenue recognition:				
- At a point of time	-	450,000	3,550,000	4,382,807
- Over time	344,478,636	422,336,287	214,213,877	186,474,044
	344,478,636	422,786,287	217,763,877	190,856,851

25. FINANCE COSTS

	2020 RM	2019 RM	2018 RM	2017 RM
Bank overdraft interest	1,426,632	776,850	568,653	6,907
Factoring interest	1,515,873	1,639,891	476,487	637,685
Lease liabilities interest	1,521,715	2,243,182	1,369,759	610,365
Term loans interest	82,798	17,373	35,780	35,728
	4,547,018	4,677,296	2,450,679	1,290,685

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26. PROFIT BEFORE TAX

	2020 RM	2019 RM	2018 RM	2017 RM
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- current financial year	57,000	64,000	56,400	46,000
- underprovision in the previous financial year	-	-	800	12,250
Depreciation of property, plant and equipment	11,355,948	10,474,978	7,223,762	3,648,387
Depreciation of investment properties	51,613	40,733	45,400	45,400
Loss on disposal of investment properties	-	20,300	-	-
Property, plant and equipment written off	484,307	235,150	-	-
Rental of machinery[1]	13,534,434	16,609,232	7,892,363	10,337,434
Rental of premises[1]	176,513	262,778	264,680	85,838
Staff costs				
- Salaries, wages, bonuses and allowance	16,434,390	16,633,159	12,825,453	7,003,704
- Defined contribution plan	1,972,460	1,642,953	1,005,261	518,406
- Social security contribution	217,625	160,570	96,424	45,767
- Other benefits	426,498	695,214	552,590	387,141
Gain on disposal of property, plant and equipment	(167,920)	(87,160)	(183,131)	(30,417)
Gain on remeasurement of lease liabilities	(29,234)	-	-	-
Interest income	(714,142)	(611,443)	(368)	(77,834)
Insurance compensation	(77,379)	(282,100)	(215,486)	-

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ACCOUNTANTS' REPORT (CONT'D)

26. PROFIT BEFORE TAX (CONT'D)

The following operating costs are included in cost of sales:

	2020 RM	2019 RM	2018 RM	2017 RM
Depreciation of property, plant and equipment	10,516,509	9,751,067	6,080,913	3,103,527
Rental of machinery[1]	13,534,434	16,609,232	7,892,363	10,337,434
Rental of premises[1]	170,513	262,778	263,180	85,838
Staff costs				
- Salaries, wages, bonuses and allowance	12,202,960	10,660,288	7,318,839	3,449,285
- Defined contribution plan	1,417,953	888,118	472,732	170,735
- Social security contribution	175,773	106,398	57,587	18,240
- Other benefits	70,026	135,590	155,392	49,635

[1] The amount represent short-term lease and low value underlying assets under MFRS 16 as disclosed in Note 6.2(a) to this report.

27. TAXATION

	2020 RM	2019 RM	2018 RM	2017 RM
Income tax:				
- Current year	6,557,385	5,379,908	2,218,245	2,227,263
Deferred tax (Note 12)				
- Current year	(1,647,286)	1,034,769	2,254,827	140,701
- Underprovision in prior year	-	-	-	237,881
	4,910,099	6,414,677	4,473,072	2,605,845

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27. TAXATION (CONT'D)

A reconciliation of income tax expenses applicable to profit before tax at the statutory income tax rate to tax expense at the effective income tax rate of the Group is as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Profit before tax	19,210,980	22,181,720	14,373,828	8,549,068
Malaysian statutory tax rate of 24%	4,610,634	5,323,613	3,449,719	2,051,776
Tax effect in respect of:				
Non-taxable income	-	-	(33,222)	(7,200)
Tax-exempted income	-	-	(183,986)	(145,395)
Non-deductible expenses	299,465	1,126,064	1,270,561	498,783
Underprovision of deferred tax liabilities in prior year	-	-	-	237,881
Differential in tax rate for small and medium companies in Malaysia	-	(35,000)	(30,000)	(30,000)
Income tax expense	4,910,099	6,414,677	4,473,072	2,605,845

28. DIVIDENDS

	FYE 31 December			
	2020 RM	2019 RM	2018 RM	2017 RM
Nestcon Builders				
Interim single-tier dividend of RM0.92 per ordinary share for the financial year ended 31 December 2019 paid on 31 October 2019	-	2,200,000	-	-
Interim single-tier dividend of RM0.83 per ordinary share for the financial year ended 31 December 2018 paid on 31 July 2018	-	-	2,000,000	-

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29. CASH AND CASH EQUIVALENTS

	At 31 December			
	2020	2019	2018	2017
	RM	RM	RM	RM
Fixed deposits placed with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Cash and bank balances	59,198,531	40,700,747	17,042,010	17,345,071
	87,326,321	55,654,769	26,891,269	22,125,113
Less: Bank overdrafts	(34,653,214)	(16,230,421)	(7,880,087)	(5,502,816)
Less: Pledged deposits with financial institution	(23,127,790)	(14,954,022)	(9,849,259)	(4,780,042)
Less: Restricted cash at bank	(17,061,490)	(11,202,444)	(685,157)	-
	12,483,827	13,267,882	8,476,766	11,842,255

The fixed deposits with financial institution were pledged as security for the guarantee for performance bond and bank facilities as disclosed in Note 20 to this report.

The effective annual interest rate for fixed deposits as at end of reporting period range from 1.55% to 1.60% (2019: 3.00% to 4.70%, 2018: 3.80% to 4.70%, 2017: 3.05% to 4.70%) per annum.

30. EARNINGS PER SHARE

Basic and diluted earnings per ordinary share are calculated by dividing the profit for the financial years attributable to owners of the Company by the weighted average number of ordinary shares in issue for the financial year.

For the purpose of this report, the number of ordinary shares for the financial years 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017 represents the weighted average aggregate ordinary shares issued of the Company and its combining entities.

	2020	2019	2018	2017
Profit for the financial years attributable to owners of the Company (RM)	14,300,881	14,586,805	7,454,518	5,483,563
Weighted average number of ordinary shares at 31 December (units)	10,400,316	8,088,493	4,950,000	4,950,000
Basic and diluted earnings per ordinary share (RM)	1.38	1.80	1.51	1.11

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30. EARNINGS PER SHARE (CONT'D)

There were no dilutive potential equity instruments in issue as at each FYE that have dilutive effect to the earnings per ordinary share.

31. CORPORATE GUARANTEE

	2020 RM	2019 RM	2018 RM	2017 RM
Nestcon Builders				
Corporate guarantee given to licensed banks to secure credit facilities granted to combining entity, Nestcon Infra	152,881,600	152,881,600	108,914,000	27,000,000
Corporate guarantee given to licensed banks to secure credit facilities granted to a related party, Picoland Sdn. Bhd.	40,500,000	-	-	-
Bank guarantee given to a licensed bank as security for performance bond	17,605,000	5,515,000	5,515,000	-
Nestcon Infra				
Corporate guarantee given to licensed banks to secure credit facilities granted to combining entity, Nestcon Builders	30,000,000	-	-	-
Bank guarantee given to a licensed bank as security for performance bond	24,841,326	16,538,945	10,829,672	-

The maximum exposure to credit risk amounting to RM14,076,291 (2019: Nil, 2018: Nil, 2017: Nil) representing the outstanding banking facilities of a Company which a certain Director have interests as at end of the reporting period.

Generally, the Group consider the financial guarantees to be of low credit risk as the guarantee are provided as credit enhancement to the related party's secured borrowings. As at the reporting date, there was no loss allowance as determined by the Group for the financial guarantee. The fair value of the above financial guarantee has not been recognised since the fair value on initial recognition was not material.

Performance bond require the Group to make payments to third parties in the event that the Group does not perform in according to the terms of any related contracts. The maximum exposure to credit risk is amounted to RM42,446,326 (2019: RM22,053,945, 2018: RM16,344,672, 2017: Nil).

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ACCOUNTANTS' REPORT (CONT'D)

32. CAPITAL COMMITMENT

	2020 RM	2019 RM	2018 RM	2017 RM
Approved and contracted for:				
Building under construction	-	651,406	-	-

33. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group have the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where combining entities and the parties are subject to common control or common significant influence. Related parties could be individual or other entities.

Related parties of the Group included:-

(i) Entities in which the Directors have substantial financial interest; and
(ii) Key management personnel of the Group, comprise persons (including Directors) having the authorities and responsibility for planning, directing and controlling the activities.

(b) In addition to the information detailed elsewhere in the report, the combining entities had the following transactions with related parties during the reporting periods:

	2020 RM	2019 RM	2018 RM	2017 RM
Lease payment charged by:				
- Director	(78,000)	(78,000)	(78,000)	(39,000)
Progress billing charged to:				
- Related parties	-	26,023,734	60,501,802	58,550,078
Rental income charged to:				
- Associate	-	-	109,757	-
Contract costs charged by:				
- Related parties	-	(3,741,418)	(2,837,520)	-
Purchase of material from:				
- Related party	(2,180,313)	(3,145,468)	(2,116,793)	(938,457)

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33. RELATED PARTY DISCLOSURES (CONT'D)

(b) In addition to the information detailed elsewhere in the report, the combining entities had the following transactions with related parties during the reporting periods: (Cont'd)

	2020 RM	2019 RM	2018 RM	2017 RM
Net repayment received/ (advances to):				
- Related parties	11,880,307	(6,365,893)	(8,235,264)	-
Net (repayment to)/advance received from:				
- Directors	(8,529)	(3,524,111)	104,017	2,815,723
Administrative fee charged to:				
- Associate	-	36,000	-	-
Expenses paid on behalf by:				
- Related parties	-	33,384	9,172	19,322

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

	2020 RM	2019 RM	2018 RM	2017 RM
Directors' compensation				
Directors' fees	40,000	-	-	-
Directors' remuneration and other emoluments	1,434,837	1,256,696	1,249,944	1,350,696
Directors' defined contribution plans	188,902	181,344	201,105	214,126
Directors' other benefits	3,694	3,078	3,694	3,245
Total compensation	1,667,433	1,441,118	1,454,743	1,568,067

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34. SEGMENT INFORMATION

Information about operating segments 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 building and infrastructure construction works.

The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

34.1 MAJOR CUSTOMERS

Revenue from external customers contributed 10% or more to the total revenue recognised is as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Customer A	118,929,451	185,532,294	69,573,665	123,975,341
Customer B	110,966,815	151,472,484	21,385,666	-
Customer C	43,302,523	42,649,722	21,257,737	-
Customer D	-	-	66,607,171	41,584,434

35. FINANCIAL INSTRUMENTS

(i) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 6.4(i) & (j) describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The table below provides an analysis of financial instruments of the Group in the statement of financial position by the classes and categories of financial instruments to which they are assigned and therefore by the measurement basis, as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Financial assets				
Fair value through profit or loss				
Other investments	73,907	3,022,954	-	-

NESTCON BERHAD

(Incorporated in Malaysia)
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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(i) Classification of financial instruments (Cont'd)

	2020 RM	2019 RM	2018 RM	2017 RM
Financial assets (cont'd)				
At amortised cost:-				
Trade receivables	65,243,059	63,252,393	46,559,117	72,811,540
Other receivables and deposits	7,110,236	8,986,513	3,917,784	3,051,365
Contract assets	46,123,662	61,529,957	19,251,666	2,684,628
Amount due from related parties	-	11,880,307	8,085,264	45,893
Other investments	1,941,188	-	-	-
Fixed deposit with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Cash and bank balances	59,198,531	40,700,747	17,042,010	17,345,071
	207,744,466	201,303,939	104,705,100	100,718,539
Financial liabilities				
At amortised cost:-				
Trade payables	125,433,036	133,500,686	74,380,909	70,045,560
Other payables and accruals	3,841,978	7,102,194	3,892,249	3,478,742
Amount due to related parties	-	-	-	9,101
Amount due to Directors	-	8,529	10,927,985	8,824,022
Bank borrowings	51,193,801	31,278,048	20,752,760	6,297,130
Lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437
	206,143,586	205,622,545	149,223,848	105,071,992

(ii) Financial risk management policies

The Group is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk and liquidity risk.

The Board of Directors review and agree policies and procedure for the management of these risks, which are executed by the Managing Director. The Group's financial risk management policies are to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management policies (Cont'd)

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The management does not enter into interest rate hedging transactions as the cost of such instruments outweights the potential risk of interest risk fluctuation.

The interest rate profile of the Group's significant interest bearing financial instruments, based on the carrying amounts as at end of the financial year is as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Fixed rate instruments				
Financial asset				
Fixed deposit with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Financial liabilities				
Bank borrowings	1,000,000	-	-	-
Lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437
	26,674,771	33,733,088	39,269,945	16,417,437
Floating rate instruments				
Financial liability				
Bank borrowings	50,193,801	31,278,048	20,752,760	6,297,130

Interest rate risk sensitivity analysis

Sensitivity analysis is not disclosed for fixed rate instruments as fixed rate instruments are not exposed to interest rate risk and are measured at amortised cost.

A 50 basis points strengthening in the interest rate of floating rate instruments as at the end of the reporting periods would have decreased profit before tax by RM250,969 (2019: RM156,390, 2018: RM103,764, 2017: RM31,486). A 50 basis points weakening would have had an equal but opposite effect on the profit before tax. This assumes that all other variables remain constant.

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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) **Financial risk management policies (Cont'd)**

(a) **Credit risk**

Credit risk is the risk of a financial loss to the Group that may arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables. For the amount due from related parties, the Group considers loan and advance to related parties have low risk. For other financial assets (including fixed deposits placed with financial institution and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

Credit risk concentration profile

The Group major concentration of credit risk relates to the amount due from 2 (2019: 4, 2018: 3, 2017: 3) receivables which constituted 50% (2019: 69%, 2018: 77%, 2017: 88%) respectively of its trade receivables as at the end of each reporting period.

Exposure to credit risk

At the end of the financial year, as the Group does not hold any collateral, the Group's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statement of financial position.

Information regarding ageing analysis on trade receivables is disclosed in Note 13 in this report.

The Group considers the probability of default upon initial recognition of trade and other receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group categorises a receivable as impaired when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

An impairment analysis is performed at each reporting date using provision matrix to measure expected credit losses for all trade receivables and contract assets.

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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management policies (Cont'd)

(b) Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

The expected credit losses incorporate historical default experience, customer financial information, past trend of payments of each customer individually and forward looking information such as forecast of economic conditions where the gross domestic product is expected to deteriorate over the next year, leading to increase in the number of defaults. No expected credit loss allowance provision to be made as at the end of each reporting period as it is immaterial.

The Group is able to determine the timing of payments of the loans and advances to related parties when they are payables, the Group considers the loans and advances to be in default when they are not able to pay when demanded. As at the end of the financial year, there was no indication that the amount due from related parties are not recoverable.

The credit risk for other financial assets (including other investments, fixed deposit with financial institution and bank balances) is considered negligible, since the counterparties are reputable banks and financial institutions with high quality external credit ratings.

At the end of the reporting period, there was no indication that there are other financial assets are impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group objectives is to maintain a balance between continuity of funding and flexibility of cash flow though the use of standby credit facilities.

The Group maintains a level of cash and cash equivalents, bank overdrafts and loan facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) **Financial risk management policies (Cont'd)**

(c) **Liquidity risk (Cont'd)**

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within on year RM	Two to five year RM	More than five year RM
2020					
Trade payables	125,433,036	125,433,036	125,433,036	-	-
Other payables and accruals	3,841,978	3,841,978	3,841,978	-	-
Bank borrowings	51,193,801	52,003,192	47,895,770	2,819,883	1,287,539
Lease liabilities	25,674,771	27,626,745	14,256,415	13,256,617	113,713
	206,143,586	208,904,951	191,427,199	16,076,500	1,401,252
2019					
Trade payables	133,500,686	133,500,686	133,500,686	-	-
Other payables and accruals	7,102,194	7,102,194	7,102,194	-	-
Amount due to Directors	8,529	8,529	8,529	-	-
Bank borrowings	31,278,048	31,359,308	30,975,979	160,800	222,529
Lease liabilities	33,733,088	36,408,915	16,229,143	20,002,660	177,112
	205,622,545	208,379,632	187,816,531	20,163,460	399,641

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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) **Financial risk management policies (Cont'd)**

(c) **Liquidity risk (Cont'd)**

Analysis of financial instruments by remaining contractual maturities (Cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments (Cont'd):

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within on year RM	Two to five year RM	More than five year RM
2018					
Trade payables	74,380,909	74,380,909	74,380,909	-	-
Other payables and accruals	3,892,249	3,892,249	3,892,249	-	-
Amount due to Directors	10,927,985	10,927,985	10,927,985	-	-
Bank borrowings	20,752,760	20,965,320	20,086,077	326,976	552,267
Lease liabilities	39,269,945	43,226,355	15,013,475	28,030,425	182,455
	149,223,848	153,392,818	124,300,695	28,357,401	734,722
2017					
Trade payables	70,045,560	70,045,560	70,045,560	-	-
Other payables and accruals	3,478,742	3,478,742	3,478,742	-	-
Amount due to related parties	9,101	9,101	9,101	-	-
Amount due to Directors	8,824,022	8,824,022	8,824,022	-	-
Bank borrowings	6,297,130	6,550,153	5,582,892	320,304	646,957
Lease liabilities	16,417,437	17,831,334	7,138,015	10,504,474	188,845
	105,071,992	106,738,912	95,078,332	10,824,778	835,802

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ACCOUNTANTS' REPORT (CONT'D)

35. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Fair values of financial instruments

(a) Financial instruments not carried at fair value

The following summarise the methods used to determine the fair values of the financial instruments:

i. The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short term maturity of the financial instruments.

ii. The fair value of lease liabilities and non-current other investment is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the financial reporting period.

iii. The carrying amount of the floating rate term loans approximated their fair values as these instruments bear interest at variables rates.

iv. The carrying amount of the fixed rate term loans approximated their fair values as these instruments bear interest at approximated market lending rate at the reporting date.

(b) Financial instruments carried at fair value

Financial assets carried at fair value disclosed in Note 35(i) to this report. The fair value of the investment in mutual fund is a Level 1 fair value derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. There was no material transfer between Level 1, 2 and 3 during the financial year.

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ACCOUNTANTS' REPORT (CONT'D)

36. CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust capital structure, the Group may adjust the dividend payment, return capital to shareholders or issue new shares.

	2020 RM	2019 RM	2018 RM	2017 RM
Total borrowings (Note 20 and 21)	(76,868,572)	(65,011,136)	(60,022,705)	(22,714,567)
Less: Fixed deposits with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Less: Cash and bank balances	59,198,531	40,700,747	17,042,010	17,345,071
Less: Other investment	73,907	3,022,954	-	-
Net cash/(debt)	10,531,656	(6,333,413)	(33,131,436)	(589,454)
Total equity	72,244,912	57,943,953	41,376,911	33,476,155
Net gearing ratio	n/a	0.11	0.80	0.02

The combining entities are required to comply with gearing ratios (ratio defined by the respective financial institution) and tangible net worth value in respect of their bank borrowings.

37. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

(a) The World Health Organisation declared the novel coronavirus ("Covid-19") a global pandemic on 11 March 2020. To curb the spread of Covid-19 outbreak in Malaysia, the government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020 that involved strict movement restrictions and closure of non-essential business premises, followed by Conditional MCO ("CMCO") and Recovery MCO ("RMCO") until the end of December 2020. Various measures to prevent the spread of the virus such as restricted movement, overseas and interstate travel bans, closure of businesses and education institutions and work-from-home arrangements have impacted consumer spending power and pattern and brought about significant economic uncertainties in Malaysia.

The pandemic has significantly disrupted many business operations and created uncertainties within the country, including the Group's operations. The Group's revenue has been affected mainly because the property and construction divisions could not operate during the MCO and when operations could commence again during the CMCO, there was hiccups in the supply of workers.

The Group has identified construction contracts which are behind planned schedule due to the disruption in operations and supply of workers. The Group has applied for extension of time from customers and consensus had been reached with customers that the delay will not result in any liquidated ascertained damages claim against the Group.

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ACCOUNTANTS' REPORT (CONT'D)

37. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (CONT'D)

(a) The Group's has not been significantly affected by the pandemic. The enactment of the Covid-19 Act 2020 by the government allowed the period from 18 March 2020 to 31 August 2020 to be disregarded in the calculation of liquidated ascertained damages. The Group has also applied for extension of the exclusion to 31 December 2020 as permitted by the Covid-19 Act 2020. Nevertheless, the Group is confident that its plan for ongoing development projects to be completed as scheduled within the stipulated time frame will be achieved.

At this juncture, it is not possible for the Group to estimate the full short-term and longer term impact of the effects of Covid-19 and government's measures to combat the pandemic. As the situation is still evolving as at the date of this report, the Group will monitor the ongoing situation and continuously take various actions to mitigate the effects of Covid-19, which includes safety and health measures for the employees and workers of the Group and securing the supply of raw materials. The Group will be taking appropriate and timely measures to minimise the impact of the Covid-19 outbreak on the Group's operations.

(b) On 28 August 2020, Nestcon entered into a conditional share sale agreement with Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan to acquire the entire equity interest in Nestcon Builders and Nestcon Infra comprising 2,400,000 and 8,000,000 ordinary shares respectively for a total purchase consideration of RM33,264,500 and RM24,679,400 respectively, satisfied by issuance of new ordinary shares in Nestcon of 277,204,167 and 205,661,666 respectively, at an issue price of RM0.12 per share.

On 18 March 2021, pursuant to the share sale agreement, the Company issued and allotted 482,865,833 new ordinary shares of RM0.12 each to Vendors to acquire the entire equity interest in Nestcon Builders and Nestcon Infra. The new Shares issued under the Acquisition rank equally in all respects with existing Nestcon Shares. Thereafter, Nestcon Builders and Nestcon Infra becomes a wholly-owned subsidiary of the Company.

(c) On 17 February 2021, the Company obtained approval from Bursa Securities for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE market of Bursa Securities.

(d) On 30 April 2021, Nestcon Infra entered into a sale and purchase agreement to dispose a leasehold building for a total consideration of RM680,000.

NESTCON BERHAD

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ACCOUNTANTS' REPORT (CONT'D)

STATEMENT BY DIRECTORS

We, **Datuk Ir. Dr. Lim Jee Gin** and **Lim Joo Seng**, being two of the Directors of **Nestcon Berhad**, state that, in the opinion of the Directors, the combined financial statements set out on pages 6 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance, changes in equity and cash flows for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 May 2021.

DATUK IR. DR. LIM JEE GIN
Director
10 May 2021

LIM JOO SENG
Director

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The Board of Directors
Nestcon Berhad
No. 02-10, Jalan Kenari 13B,
Bandar Puchong Jaya,
47180 Puchong,
Selangor Darul Ehsan.

10 May 2021

Dear Sirs

NESTCON BERHAD ("NESTCON" OR "THE COMPANY") AND ITS SUBSIDIARIES ("NESTCON GROUP" OR "THE GROUP")

REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR INCLUSION IN PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of Nestcon Group prepared by the Board of Directors of the Company. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at 31 December 2020 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The pro forma consolidated financial information has been prepared for inclusion in the prospectus of Nestcon in connection with the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Nestcon on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposal").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are described in Note 2 to the pro forma consolidated statement of financial position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma consolidated financial information has been compiled by the Board of Directors to illustrate the effects of the events or transactions set out in Note 3 of the Pro Forma Consolidated Statement of Financial Position had they been implemented and completed on 31 December 2020 on the Group's financial position as at that date. As part of this process, information about the Group's financial position has been extracted by the Board of Directors from the audited financial information of the Group as at 31 December 2020.

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Board of Directors is responsible for compiling the pro forma consolidated financial information on the basis as described in Note 2 to the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

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Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which are 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 consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 2 of the pro forma consolidated statement of financial position.

We conducted our engagement in accordance with International Standards on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Accounting Standards Board and adopted 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 have compiled, in all material respects, the pro forma consolidated financial information on the basis set out in Note 2 to the pro forma consolidated statement of financial position.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the events had occurred or the transactions have 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 events or transactions at 31 December 2020, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information have been compiled, in all material respects, on the basis of the applicable involves performing procedures to assess whether the applicable criteria used by the Boards of Directors in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

(i) the related pro forma adjustments give appropriate effect to those criteria; and

(ii) the pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

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Reporting Accountants' Responsibilities (cont'd)

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

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 consolidated financial information of the Group has been compiled, in all material respects, on the basis as set out in Note 2 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose of inclusion in the prospectus of Nestcon in connection with the Proposal. As such this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Ecovis

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

Kuala Lumpur

CHUA KAH CHUN
No. 02696/09/2021 J
Chartered Accountant

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
For identification purposes only

NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

1.0 Abbreviations

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Nestcon	:	Nestcon Berhad (202001008684 (1365004-W))
Nestcon Builders	:	Nestcon Builders Sdn Bhd. (201301033505 (1063335-M))
Nestcon Infra	:	Nestcon Infra Sdn. Bhd. (200101021201 (556959-W))
Nestcon Group or Group	:	Nestcon and its subsidiaries, collectively
Vendors	:	Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan
ACE Market	:	ACE Market of Bursa Securities
Acquisitions	:	Acquisition of Nestcon Builders and Acquisition of Nestcon Infra, collectively
Acquisition of Nestcon Builders	:	Acquisition by Nestcon of the entire equity interest of Nestcon Builders for a purchase consideration of RM33,264,500 which was wholly satisfied by the issuance of 277,204,167 new Shares at an issue price of RM0.12 per share, which was completed on 18 March 2021
Acquisition of Nestcon Infra	:	Acquisition by Nestcon of the entire equity interest of Nestcon Infra for a purchase consideration of RM24,679,400 which was wholly satisfied by the issuance of 205,661,666 new Shares at an issue price of RM0.12 per share, which was completed on 18 March 2021
Act	:	Companies Act, 2016
Board	:	Board of Directors of Nestcon
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
CMSA	:	Capital Markets and Services Act 2007
Director(s)		An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
FYE 31 December	:	Financial year ended 31 December
IFRS	:	International Financial Reporting Standards
IBS	:	Industrialised building system, a construction method that utilises structural components, or a building system that involves pre-fabricated components and on-site installation
Initial Public Offering or IPO	:	Our initial public offering comprising the Public Issue and Offer for Sale
IPO Price		Issue/offer price of RM0.28 per Share under our Public Issue and Offer for Sale
Issue Share(s)	:	New Share(s) to be issued under the Public Issue
Listing		Listing of and quotation for our entire enlarged share capital of RM103,011,489 comprising 643,822,000 Shares on the ACE Market

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

1.0 Abbreviations (Cont'd)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report: (Cont'd)

Listing Scheme	:	Comprising the Public Issue, Offer for Sale and Listing, collectively
LPD	:	8 May 2021, being the last practicable date for ascertaining certain information contained in this Prospectus
Malaysian Public	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
MFRS	:	Malaysian Financial Reporting Standards
NA	:	Net assets
Offer for Sale	:	Offer for sales of 32,192,000 Offers Shares by our Selling Shareholders at our IPO Price
Offer Share(s)	:	Existing Share(s) to be offered under our Offer for Sale
Prospectus		This Prospectus dated 8 June 2021 in relation to our IPO
PPE	:	Property, plant and equipment
Public Issue	:	Public issue of 160,955,400 Issue Shares at our IPO price
RM or sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission Malaysia
Selling Shareholders		Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan who are undertaking the Offer for Sale, collectively
Share(s) or Nestcon Share(s)		Ordinary share(s) in Nestcon

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(AF 001825)
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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

2.0 Pro Forma Group and Basis of Preparation

2.1 Basis of Preparation

The pro forma consolidated statement of financial position of Nestcon Group has been prepared by the Board in a manner consistent with the format of the audited financial statements and accounting policies of the Group for the FYE 31 December 2020, in accordance with MFRS, IFRS and the requirements of the Prospectus Guidelines The pro forma consolidated statement of financial position has been prepared solely for illustrative purposes, to show the effects of transactions as disclosed in Note 3.

The pro forma consolidated statement of financial position is consolidated using the merger method as both Nestcon Group are under the common control of the same party both before and after the Acquisitions When the merger method is used, the difference between the cost of investment recorded by Nestcon and the share capital of the subsidiaries are accounted for as reorganisation reserve in the pro forma consolidated statement of financial position.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which took part in the reorganisation exercise, was under common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

The audited financial statements of the Group as at 31 December 2020 were not subject to any audit qualification

The pro forma financial information of the Group comprises the pro forma consolidated statement of financial position as at 31 December 2020, adjusted for the impact of the Acquisitions (Note 2.2.1), IPO (Note 2 2.2) and utilisation of proceeds from the IPO (Note 3.1 3).

The pro forma financial information, because of its nature, may not reflect the actual financial position of the Group Furthermore, such information does not predict the future financial position of the Group.

2.2 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of Nestcon on the ACE Market, the Company intends to undertake the following transactions:

2.2.1 Acquisitions

Nestcon acquired the entire equity interest of Nestcon Builders and Nestcon Infra from Vendors for a total purchase consideration of RM33,264,500 and RM24,679,400 respectively, satisfied by the issuance of new Shares of 277,204,167 and 205,661,666 respectively, at an issue price of RM0.12 per share. The legal structure of Nestcon Group is now formalised via completion of the Acquisitions on 18 March 2021.

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2.0 Pro Forma Group and Basis of Preparation (Cont'd)

2.2 Listing Scheme (Cont'd)

2.2.2 IPO

2.2.2.1 Public Issue

The Public Issue of 160,955,400 new Nestcon Shares, representing approximately 25% of the enlarged issued share capital at IPO Price amounting to RM45,067,512, payable in full on application, upon such terms and conditions as set out in the Prospectus, and will be allocated and allotted in the following manner:

(a) 32,192,000 new Nestcon Shares made available for application by the Malaysian Public;

(b) 32,192,000 new Nestcon Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group;

(c) 80,475,400 new Nestcon Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry; and

(d) 16,096,000 new Nestcon Shares by way of private placement to selected investors.

2.2.2.2 Offer for Sale

The Offer for Sale of 32,192,000 Offer Shares at IPO price amounting to RM9,013,760, payable in full on application, upon such terms and conditions as set out in Prospectus, made available in the following manner:

(a) Private Placement

32,192,000 Offer Shares representing approximately 5% of the enlarged issued share capital will be made available by way of private placement to selected investors.

2.2.2.3 Listing

The admission of Nestcon to the Official List of Bursa Securities, and the entire enlarged issued share capital of RM103,011,489 comprising 643,822,000 Nestcon Shares shall be listed and quoted on the ACE Market upon completion of the Public Issue.

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION *(Cont'd)*

NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
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3.0 Pro Forma Consolidated Statement of Financial Position as at 31 December 2020

			Pro Forma I		Pro Forma II		Pro Forma III
	Audited as at 31 December 2020 [1] RM	Acquisitions RM	After Acquisitions RM	IPO RM	After Pro Forma I and IPO RM	Utilisation of proceeds RM	After Pro Forma II and utilisation of proceeds RM
Assets							
Non-current assets							
Property, plant and equipment	63,031,553	-	63,031,553	-	63,031,553	13,615,000	76,646,553
Investment properties	3,259,657	-	3,259,657	-	3,259,657	-	3,259,657
Other investments	1,941,188	-	1,941,188	-	1,941,188	-	1,941,188
Deferred tax asets	567,930	-	567,930	-	567,930	-	567,930
Trade receivables	38,167,948	-	38,167,948	-	38,167,948	-	38,167,948
	106,968,276	-	106,968,276	-	106,968,276	13,615,000	120,583,276
Current assets							
Trade receivables	90,493,272	-	90,493,272	-	90,493,272	-	90,493,272
Other receivables, deposits and prepayments	11,543,972	-	11,543,972	-	11,543,972	(159,000)	11,384,972
Contract assets	46,123,662	-	46,123,662	-	46,123,662	-	46,123,662
Other investments	73,907	-	73,907	-	73,907	-	73,907
Fixed deposit with financial institution	28,127,790	-	28,127,790	-	28,127,790	-	28,127,790
Cash and bank balances	59,198,531	-	59,198,531	45,067,512	104,266,043	(33,585,000)	70,681,043
	235,561,134	-	235,561,134	45,067,512	280,628,646	(33,744,000)	246,884,646
Total assets	342,529,410	-	342,529,410	45,067,512	387,596,922	(20,129,000)	367,467,922
Equity and liabilities							
Equity							
Share capital	77	57,943,900	57,943,977	45,067,512	103,011,489	(1,541,850)	101,469,639
Invested equity	10,400,000	(10,400,000)	-	-	-	-	-
Reorganisation reserve	-	(47,543,900)	(47,543,900)	-	(47,543,900)	-	(47,543,900)
Retained earnings	61,844,835	-	61,844,835	-	61,844,835	(2,087,150)	59,757,685
Total equity	72,244,912	-	72,244,912	45,067,512	117,312,424	(3,629,000)	113,683,424

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3.0 Pro Forma Consolidated Statement of Financial Position as at 31 December 2020 (Cont'd)

	Audited as at 31 December 2020 [1] RM	Acquisitions RM	Pro Forma I After Acquisitions RM	IPO RM	Pro Forma II After Pro Forma I and IPO RM	Utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Liabilities							
Non-current liabilities							
Trade payables	17,266,094	-	17,266,094	-	17,266,094	-	17,266,094
Bank borrowings	3,460,158	-	3,460,158	-	3,460,158	-	3,460,158
Lease liabilities	12,585,967	-	12,585,967	-	12,585,967	-	12,585,967
Deferred tax liabilities	2,832,646	-	2,832,646	-	2,832,646	-	2,832,646
	36,144,865	-	36,144,865	-	36,144,865	-	36,144,865
Current liabilities							
Trade payables	137,129,594	-	137,129,594	-	137,129,594	-	137,129,594
Other payables and accruals	6,371,898	-	6,371,898	-	6,371,898	-	6,371,898
Contract liabilities	24,917,044	-	24,917,044	-	24,917,044	-	24,917,044
Bank borrowings	47,733,643	-	47,733,643	-	47,733,643	(16,500,000)	31,233,643
Lease liabilities	13,088,804	-	13,088,804	-	13,088,804	-	13,088,804
Income tax payable	4,898,650	-	4,898,650	-	4,898,650	-	4,898,650
	234,139,633	-	234,139,633	-	234,139,633	(16,500,000)	217,639,633
Total liabilities	270,284,498	-	270,284,498	-	270,284,498	(16,500,000)	253,784,498
Total equity and liabilities	342,529,410	-	342,529,410	45,067,512	387,596,922	(20,129,000)	367,467,922
Number of Nestcon Shares in issue	767		482,866,600		643,822,000		643,822,000
NA (RM)	(512,537)[2]		72,244,912		117,312,424		113,683,424
NA per Share (RM)	(668)		0.15		0.18		0.18
Borrowings	76,219,503		76,219,503		76,219,503		59,719,503
Gearing (times) [3]	1.06		1.06		0.65		0.53
Current ratio (times) [4]	1.0		1.0		1.2		1.1

[1] Extracted from Nestcon's audited combined financial statements for the financial year ended 31 December 2020
[2] Extracted from Nestcon's audited financial statements for the financial period ended 31 December 2020
[3] Calculated based on the total borrowings (excluding lease liabilities arising from rental of land and buildings) of our Group divided by the total equity of our Group
[4] Calculated based on total current assets divided by total current liabilities of our Group

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3.1 Notes to Pro Forma Consolidated Statement of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporates the effects of Acquisitions as set out in Note 2.2.1.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and IPO as set out in Note 2 2.2.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds from IPO.

The estimated gross proceeds from the IPO of RM45,067,512 will be utilised as follows

	RM	Estimated time frame (from the listing date)
Establish our IBS facility [1]	6,000,000	Within 24 months
Acquire machineries and equipment [1]	6,615,000	Within 24 months
Upgrade software and systems [1]	1,000,000	Within 12 months
Repayment of bank borrowings	16,500,000	Within 3 months
Working capital	10,952,512	Within 12 months
Estimated listing expenses [2]	4,000,000	Within 1 month
	45,067,512	

Notes:

(1) As at LPD, total utilisation of proceeds to establish IBS, acquire machineries and equipment and upgrade software and system of RM13,615,000 are not supportable by any purchase orders, sales and purchase agreements or contractually binding arrangements. However, in accordance with Paragraph 9 18(a)(ii), Division 1, Equity of the Prospectus Guidelines issued by the SC, the Group has illustrated the utilisation of proceeds to establish IBS, acquire machineries and equipment and upgrade software and system totaling RM13,615,000 in the Pro Forma Consolidated Statement of Financial Position.

(2) The estimated listing expenses comprise the following.

	RM
Professional fees	2,511,000
Fees payable to authorities	16,000
Underwriting, placement and brokerage fees	1,290,000
Printing, advertising fees and contingencies	183,000
	4,000,000

From the total estimated listing expenses of RM4,000,000, RM1,541,850 will be set-off against equity and the remaining RM2,458,150 will be charged out to the profit or loss. The Group has recognised RM371,000 of listing expenses in the financial year ended 31 December 2020 to the profit or loss and RM159,000 of listing expenses under prepayment as at 31 December 2020.

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3.2 Pro Forma Effects on Financial Statement Line Items

3.2.1 Effects on PPE

	RM	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II		63,031,553
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Establish our IBS facility	6,000,000	
- Acquire machineries and equipment	6,615,000	
- Upgrade software and systems	1,000,000	13,615,000
After effects of Pro Forma III		**76,646,553**

3.2.2 Effects on Other Receivables, Deposits and Prepayments

	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II	11,543,972
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Listing expenses offset against equity	(159,000)
After effects of Pro Forma III	11,384,972

3.2.3 Effects on Cash and Bank Balances

	RM	RM
As audited on 31 December 2020 and after effects of Pro Forma I		59,198,531
Pro Forma II:		
IPO		45,067,512
After effects of Pro Forma II		**104,266,043**
Pro Forma III:		
Utilisation of proceeds from IPO.		
- Establish our IBS facility	(6,000,000)	
- Acquire machineries and equipment	(6,615,000)	
- Upgrade software and systems	(1,000,000)	
- Repayment of bank borrowings	(16,500,000)	
- Payment for estimated listing expenses	(3,470,000)	(33,585,000)
After effects of Pro Forma III		70,681,043

3.2.4 Effects on Share Capital

	No. of shares	RM
As audited on 31 December 2020	767	77
Pro Forma I:		
Acquisitions:		
- Shares issued on Acquisitions	482,865,833	57,943,900
After effects of Pro Forma I	**482,866,600**	**57,943,977**
Pro Forma II:		
IPO	160,955,400	45,067,512
After effects of Pro Forma II	**643,822,000**	**103,011,489**
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Estimated listing expenses offset against equity	-	(1,541,850)
After effects of Pro Forma III	643,822,000	101,469,639

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3.2 Pro Forma Effects on Financial Statement Line Items (Cont'd)

3.2.5 Effects on Invested Equity

	RM	RM
As audited on 31 December 2020		10,400,000
Pro Forma I:		
Acquisitions		(10,400,000)
After effects of Pro Forma I, II and III		-

3.2.6 Effects on Reorganisation Reserve

	RM	RM
As audited on 31 December 2020		-
Pro Forma I:		
Acquisitions:		
- Shares issued on Acquisitions	57,943,900	
- Elimination of ordinary shares of Nestcon Builders and Nestcon Infra	(10,400,000)	47,543,900
After effects of Pro Forma I, II, III		**47,543,900**

3.2.7 Effects on Retained Earnings

	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II	61,844,835
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Estimated listing expenses charged to profit or loss	(2,087,150)
After effects of Pro Forma III	**59,757,685**

3.2.8 Effects on Bank Borrowings (Current and Non-current Liabilities)

	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II	51,193,801
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Repayment of bank borrowings	(16,500,000)
After effects of Pro Forma III	**34,693,801**

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION *(Cont'd)*

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PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
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4.0 Approval by the Board of Directors

The pro forma consolidated statement of financial position is approved by the Board of Directors of Nestcon Berhad in accordance with Directors' resolution dated 10 May 2021

Datuk Ir. Dr. Lim Jee Gin
Director

Lim Joo Seng
Director

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(b) Save for the Pink Form Allocations as disclosed in Section 4.3.3,

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(c) Save for the issuance of our subscribers' shares upon our incorporation, 667 shares issued to Datuk Ir. Dr. Lim and new Shares issued and to be issued for the Acquisitions and Public Issue as disclosed in Sections 6.1, 6.2 and 4.3.1 respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES AND ASSOCIATED COMPANY

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below. As at LPD, we do not have any associated companies.

15.2.1 Nestcon Builders

Nestcon Builders' share capital as at LPD is RM2,400,000.00 comprising 2,400,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
24 September 2013	100	RM100.00/ Subscribers' shares	100.00
16 December 2013	749,900	RM749,900.00/ Cash	750,000.00
10 November 2016	1,650,000	RM1,650,000.00/ Cash	2,400,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Nestcon Builders. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.2 Nestcon Infra

Nestcon Infra's share capital as at LPD is RM8,000,000.00 comprising 8,000,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital RM
22 August 2001	2	RM2/ Subscribers' shares	2.00
19 September 2001	4,999,998	RM4,999,998/ Cash	5,000,000.00
12 June 2019	3,000,000	RM3,000,000/ Otherwise than cash (capitalisation of amount owing to Director)	8,000,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Nestcon Infra. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

15.3.1 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 8 - Issue of Shares

8.1 Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares but subject to the Act, the Listing Requirements, any other statutory requirements and to this Constitution, Shares in the Company may be issued by the Directors and any such Shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

8.2 No Shares shall be issued at a discount except in compliance with the provisions of the Act.

8.3 The rights attaching to Shares of a class other than ordinary shares shall be expressed in this Constitution.

8.4 No issue of Shares shall be made without the prior approval of the members of the Company in general meeting.

8.5 No Director shall participate in a scheme that involves a new issuance of Shares to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Clause 9 - Rights of preference shareholders

9.1 Subject to the Act, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.

9.2 A holder of preference shares must have a right to vote in each of the following circumstances:

(a) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
(b) on a proposal to reduce the Company's share capital;
(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
(d) on a proposal that affects the rights attached to the preference shares;
(e) on a proposal to wind up the Company; and
(f) during the winding up of the Company.

9.3 A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports and audited financial statements, and attending general meetings of the Company.

9.4 The Company shall not allot any preference shares or convert any issued Shares into preference shares unless the right of the Members with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other Shares and other classes of preference shares are set out in this Constitution.

Clause 10 - Repayment of preference capital

The repayment of preference share capital other than redeemable preference shares or any alteration of preference shareholders' rights shall only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing obtained from the holders of 3/4 of the preference capital concerned within 2 months of the meeting shall be as valid and effectual as a special resolution carried at the meeting.

Clause 11 - Modification of class rights

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 or abrogated with the consent in writing of the holders of 3/4 of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall *mutatis mutandis* apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy 1/3 of the issued Shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Clause 12 - Alteration of rights by issuance of new Shares

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

Clause 13 - Commission on subscription of Shares

The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate or the per centum of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per centum (10%) of the price at which the Shares in respect whereof the commission is paid are issued or an amount equivalent thereto. Such commission may be satisfied by the payment of cash or the allotment of fully paid-up Shares or partly paid-up Shares or by a combination of any of the aforesaid methods of payment. The Company may on any issue of Shares pay such brokerage as may be lawful.

Clause 14 - Interest on share capital during construction of works on building

Where any Shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

Clause 15 - Trust not to be recognised

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share except in an absolute right to the entirety thereof in the registered holder.

Clause 16 - Certificate of title

The certificates of title to Shares, stock, debentures, debenture stock, notes and other Securities shall be issued under the Seal of the Company in such form as the Directors may from time to time prescribe provided that such certificates shall comply with all security features, size and other requirements prescribed by the Exchange and any authorities and all such certificates shall be signed by a Director and shall be countersigned by the Secretary or by a second Director or by some other person appointed by the Directors for this purpose. It shall be sufficient evidence that the Seal has been duly affixed to any such certificate and signed as aforesaid if an autographic or facsimile of the signatures of the aforesaid authorised persons appear thereon.

Clause 17 - Issue of Securities

The Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities accounts of the allottees with such Securities, save and except where they are specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event they shall so similarly be exempted from compliance with this provision. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the Securities accounts of such allottees.

Clause 18 - Timing for allotment of securities

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such Securities within the period as may be prescribed by the Exchange and deliver to the Depository the appropriate certificates in such denominations as may be specified by the Depository and registered in the name of the Depository or its nominee company.

Clause 51 - Power to increase capital

Subject to the Act, this Constitution, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, the Company may from time to time, whether all the Shares for the time being authorised shall have been issued or all the Shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issue of new Shares, such new capital to be of such amount and 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 by the resolution authorising such increase may direct.

Clause 52 - Offer of new Shares to the Member

Subject to any direction to the contrary that may be given by the Company in general meeting, any new Shares or other convertible Securities of whatever kind for the time being unissued and not allotted and any new Shares or Securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or Securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or Securities offered, the Directors may dispose of those Shares or Securities in such manner as they think most beneficial to the Company. The Directors may also dispose of any new Shares or Securities which (by reason of the ratio which the new Shares or Securities bear to Shares or Securities held by persons entitled to an offer of new Shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 53 - Ranking of new Shares

Except so far as otherwise provided by the conditions of issue in this Constitution, any share capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions with reference to the allotments, the payment of calls and instalments, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 54 - Power to alter capital

The Company may by ordinary resolution and subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution:

54.1 consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

54.2 subdivide its share capital or any part thereof into Shares of smaller amount, subject nevertheless to the provisions of the Act and so that as between the resulting Shares, 1 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 other of such Shares;

54.3 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; or

54.4 convert and/or re-classify any class of Shares into any other class of Shares.

Clause 55 - Power to reduce capital

The Company may by special resolution, subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised by the Act and subject to any consent required by law.

15.3.2 Borrowing and voting powers of the directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Clause 96 - Directors' borrowing powers

The Directors may exercise all the powers of the Company to borrow money 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 subsidiary company subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 109 - Chairman to have a casting vote

109.1 Subject to this Constitution any question arising at any meeting of the Directors shall be decided by a majority of votes, each Director having 1 vote and a determination by a majority of the Directors shall for all purposes be deemed a determination of the Directors.

109.2 In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote EXCEPT where only 2 of the Directors form a quorum and only such Directors are present at the meeting or where only 2 of the Directors are competent to vote on the question in issue, whereupon the resolution shall be deemed not to have been passed, without affecting any other businesses at the meeting.

Clause 111 - Disclosure of interest and restriction on discussion and voting

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 221 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, 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.

Clause 112 - Power to vote

Without prejudice to the provisions of any other Constitution, the Act and the Listing Requirements, a Director may vote in respect of:

112.1 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; or

112.2 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.

15.3.3 Remuneration of directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 91 - Directors' remuneration

The fees and benefits payable to the Directors of the Company including compensation for loss of employment of a Director or a former Director of the Company shall from time to time be approved by members in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

91.1 salaries payable to executive Director(s) may not include a commission on or percentage of turnover; and

91.2 fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 115 - Remuneration of Managing Director

The remuneration of a managing director or managing directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

15.3.4 Transfer of Shares

The provisions in our Constitution dealing with transfer of Shares are as follows:

Clause 31 - Transfer of Deposited Securities

Subject to the restriction imposed by this Constitution, the Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to 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 the listed securities.

Clause 32 - Transfer of Shares (Non-Deposited Securities)

32.1 Subject to the provisions of the Act and this Constitution, any Member may transfer all or any of his Shares (which are non-Deposited Securities) by a duly executed and stamped instrument in writing. The instrument shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the Shares transferred until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.

32.2 The instrument of transfer must be left for registration at the Office of the Company together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.

32.3 The Directors may in their absolute discretion through passing of a resolution setting out the reasons of refusal or delay in the registration of any transfer of Shares not being fully paid Shares to a person of whom they do not approve and may also decline to register any transfer of Shares on which the Company has a lien, within 30 days from the receipt of the instrument of transfer. Such notice of the resolution including the reasons thereof shall be sent to the transferor and the transferee within 7 days of the resolution being passed.

32.4 Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of Shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the Shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.

32.5 No Shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

32.6 Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any Shares by the allottee thereof in favour of some other persons.

32.7 All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline or refuse to register shall on demand be returned to the person depositing the same. All powers of attorney granted by members for purpose (interalia) of transferring Shares which may be lodged produced or exhibited to the Company or any of its proper officers shall as between the Company and the grantor of such powers be taken and deemed to continue and remain in full force and effect and the same may be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Office of the Company.

15.4 GENERAL INFORMATION

(a) Save for the dividends paid to the shareholders of our subsidiaries in FYE 2018 and FYE 2019, purchase consideration paid to Datuk Ir. Dr. Lim and Ong Yong Chuan for the Acquisitions as disclosed in Section 6.2 and Directors' remuneration as disclosed in Section 5.2.4, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Director or substantial shareholder.

(b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.

(d) 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.

15.5 CONSENTS

(a) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Financial Adviser, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names 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;

(b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(c) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(a) Constitution;

(b) Audited financial statements of Nestcon Builders and Nestcon Infra for FYE 2017 to FYE 2020;

(c) Accountants' Report as set out in Section 13;

(d) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 14;

(e) IMR Report as set out in Section 8;

(f) Material contracts as set out in Section 6.5; and

(g) Letters of consent as set out in Section 15.5.

15.7 RESPONSIBILITY STATEMENTS

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

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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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., 8 June 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 17 June 2021

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	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 Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(a) You must be one of the following:

(i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(ii) 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

(iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) 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

(c) You must submit Applications by using only one of the following methods:

(i) White Application Form; or

(ii) Electronic Share Application; or

(iii) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

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 RM0.28 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 701"** 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:

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 17 June 2021 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

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:

(a) reject Applications which:

(i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(ii) are illegible, incomplete or inaccurate; or

(iii) are accompanied by an improperly drawn up or improper form of remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) 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 16.8 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 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.

16.8.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) 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.

(c) 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 (a) and (b) above (as the case may be).

(d) 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/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

16.8.2 For applications by way of Electronic Share Application and Internet Share Application

(a) 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.

(b) You may check your account on the 5th Market Day from the balloting date.

(c) 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.

16.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.

(d) In accordance with Section 29 of the Central Depositories Act, 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.

16.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE (ACCOMPANYING THE ELECTRONIC PROSPECTUS)

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

1. OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 8 June 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 17 June 2021

Applications for our IPO Shares will open and close at the times and dates stated above. 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. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

Late Applications will not be accepted.

2. METHODS OF APPLICATIONS

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed.

2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

2.2 Placement

Types of Application		Application Method
Applications by:		
(a)	Application by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(b)	Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

3. ELIGIBILITY

3.1 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must have a CDS account. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs listed in Section 12 below.

(ii) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares with a Malaysian address; or

(b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(iii) 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

(iv) You must submit an Application by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

3.2 Application by our eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

The eligible Directors, employees and persons who have contributed to the success of our Group who apply for our IPO Shares must have a CDS account and a correspondence address in Malaysia.

You agree that any application which you make for our IPO Shares is irrevocable.

4. PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

Each application for our IPO Shares must be made using the correct type of Application Form. The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications 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.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

The Malaysian Public must follow the following procedures in making their applications through the White Application Form.

a) Obtain the relevant Application Form together with the Official "A" and "B" envelopes and our Prospectus.

   The **White** Application Forms together with our Prospectus, can be obtained subject to availability from M&A Securities Sdn Bhd, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia or Malaysian Investment Banking Association and the Issuing House.

b) In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by our Prospectus. You are advised to read and understand our Prospectus before making your Application.

c) Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in our Prospectus, including:

(i) Ensuring that your personal particulars submitted in your Application are identical with the records maintained by Bursa Depository. You are required to inform Bursa Depository promptly of any changes to your personal particulars as the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

(ii) Stating your CDS account number in the space provided in the Application Form. Invalid or nominee or third party CDS accounts will **not** be accepted.

(iii) Stating the details of your payment in the appropriate boxes provided in the Application Form.

(iv) Stating the number of shares applied. Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

d) Prepare the appropriate form of payment in RM for the FULL amount payable based on the IPO Price of RM0.28 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 701"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Only Banker's Draft or Cashier's Order drawn on a bank in Kuala Lumpur, Money or Postal Orders (Sabah and Sarawak only) and Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad will be accepted.

We will not accept Applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the Application Forms.

e) Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable)) into the Official "A" envelope and seal it. You must write your name and address on the outside of the Official "A" and "B" envelopes.

Affix RM1.50 stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

The name and address written must be identical to your name and address as in your NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) or certificate of incorporation or the certificate of change of name for corporate or institutional applicant (where applicable).

f) 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:

Tricor Investor & Issuing House Services Sdn Bhd (*197101000970 (11324-H)*)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVER BY HAND AND DEPOSIT**

in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 17 June 2021 or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

5. APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

5.1 Participating Financial Institutions

Malaysian individuals may apply for our IPO Shares through the ATM of the following Participating Financial Institutions and their branches. The following processing fee for each Electronic Share Application will be charged by the respective Participating Financial Institutions (unless waived) as follows:

Participating Financial Institutions	Charges
Affin Bank Berhad	Free
Alliance Bank Malaysia Berhad	RM1.00
AmBank (M) Berhad	RM1.00
CIMB Bank Berhad	RM2.50
Malayan Banking Berhad	RM1.00
Public Bank Berhad	RM2.00
RHB Bank Berhad	RM2.50

Please note that these processing fees may be varied or waived from time to time at the discretion of the respective Participating Financial Institutions. Please contact the relevant Participating Financial Institutions for further enquiries.

5.2 Procedures for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR ELECTRONIC SHARE APPLICATIONS SET OUT BELOW AND AT THE RESPECTIVE ATM CAREFULLY PRIOR TO MAKING AN ELECTRONIC SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Participating Financial Institutions.

You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our IPO Shares at an ATM belonging to other Participating Financial Institutions;

You are to submit at least the following information through the ATM, where the instructions on the ATM screen require you to do so:-

- Personal Identification Number ("**PIN**");
- TIIH Share Issue Account No. 701;
- Your CDS account number;
- Number of IPO Shares applied for and the RM amount to be debited from the account; and
- Confirmation of several mandatory statements as set out in Section 5.3 below.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

5.3 Terms and Conditions for Electronic Share Application

You must have a CDS account to be eligible to use the Electronic Share Application. Invalid, nominee or third party CDS accounts will not be accepted.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE ABOVE.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:-

(i) The Electronic Share Application shall be made in relation to and subject to the terms of our Prospectus and our Company's Constitution.

(ii) You are required to confirm the following statements (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:-

(a) You are at least 18 years old as at the date of the application for our IPO Shares;

(b) You are a Malaysian citizen residing in Malaysia;

(c) You have read our Prospectus and understood and agreed with the terms and conditions of the Application;

(d) The Electronic Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public; and

(e) You consent to the disclosure by the Participating Financial Institution and Bursa Depository of information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the steps required by the Participating Financial Institutions. By doing so, it is considered that you have confirmed each of the above statements as well as given consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Services Act, 2013 and Section 45 of SICDA) to the disclosure by the relevant Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House or any relevant authorities.

(iii) You confirm that you are not applying for our IPO Shares offered to the Malaysian Public as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for our IPO Shares offered to the Malaysian Public.

(iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time the Electronic Share Application is made, failing which the Electronic Share Application will not be completed. Any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.

(v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate a lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated keys or buttons on the ATM keyboard) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and your acceptance to be bound by our Constitution.

(vi) the Issuing House, on the authority of our Board, reserves the right to reject any Electronic Share Application or accept any Electronic Share Application in whole or in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(vii) You request and authorise us:-

(a) to credit our IPO Shares allotted or allocated to you into your CDS account; and

(b) to issue share certificate(s) representing such IPO Shares or jumbo certificates which represent, amongst others, such IPO Shares, allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(viii) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control or the control of the Issuing House, Bursa Depository or the Participating Financial Institution, and irrevocably agree that if:-

(a) our Company or the Issuing House does not receive your Electronic Share Application; or

(b) the data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or the Issuing House,

you shall be deemed not to have made an Electronic Share Application and shall not make any claim whatsoever against our Company, the Issuing House or the Participating Financial Institution for our IPO Shares applied for or for any compensation, loss or damage.

(ix) All of your particulars in the records of the relevant Participating Financial Institution at the time of making the Electronic Share Application shall be deemed to be true and correct, and our Company, the Issuing House and the relevant Participating Financial Institution shall be entitled to rely on their accuracy.

(x) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application will be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment will be sent to your registered or correspondence address last maintained with Bursa Depository.

(xi) By making and completing an Electronic Share Application, you agree that:-

(a) in consideration of us agreeing to allow and accept the application for our IPO Shares through the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

(b) we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our or the control of any of them;

(c) notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our IPO Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said IPO Shares;

(d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and other documents required for the issue or transfer of our IPO Shares allotted or allocated to you; and

(e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and / or the Electronic Share Application and / or any terms of our Prospectus, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(xii) the Issuing House, acting on the authority of our Board reserves the right to reject Applications which do not conform to these instructions.

6. APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

6.1 Internet Participating Financial Institutions

Applications for our IPO Shares by the Malaysian Public Individuals may be made through the Internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR OUR IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Instituition	Website address	Fees charged
Affin Bank Berhad	www.affinOnline.com	Free
Alliance Bank Malaysia Berhad	www.allianceonline.com.my	RM1.00
CGS-CIMB SECURITIES SDN BHD	www.eipocimb.com	RM2.00 for payment through CIMB Bank Berhad or Malayan Banking Berhad

Internet Participating Financial Instituition	Website address	Fees charged
CIMB Bank Berhad	www.cimbclicks.com.my	RM2.00 for applicants with CDS Accounts held with CGS-CIMB SECURITIES SDN BHD and RM2.50 for applicants with CDS Accounts with other ADAs
Malayan Banking Berhad	www.maybank2u.com.my	RM1.00
RHB Bank Berhad	www.rhbgroup.com	RM2.50
Public Bank Berhad	www.pbebank.com	RM2.00

Please note that these fees may be varied or waived from time to time at the discretion of the respective Internet Participating Financial Institutions. Please contact the relevant Internet Participating Financial Institutions for further enquiries.

PLEASE READ THE TERMS OF OUR PROSPECTUS, THE TERMS AND CONDITIONS AND PROCEDURES FOR INTERNET SHARE APPLICATIONS SET OUT BELOW AND AT THE INTERNET FINANCIAL SERVICES WEBSITE OF THE RESPECTIVE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

If you encounter any problems in your Application, you may refer to the respective Internet Participating Financial Institutions.

6.2 Terms and Conditions for Internet Share Application

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and subject to the following terms and conditions:

(i) You can make an Internet Share Application if you fulfill all of the following:

(a) You are an individual with a CDS Account and in the case of a joint account, an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name;

(b) You have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have your user identification ("User ID") and Personal Identification Numbers ("PIN")/password for the relevant Internet financial services facilities; and

(c) You are a Malaysian citizen and have a mailing address in Malaysia.

You are advised to note that a User ID and PIN/password issued by one of the Internet Participating Financial Institutions cannot be used to apply for our IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

(ii) An Internet Share Application shall be made on and subject to the terms of our Prospectus and our Company's Constitution.

(iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:

(a) You are at least 18 years old as at the date of the application for our IPO Shares;

(b) You are a Malaysian citizen residing in Malaysia;

(c) You have, prior to making your Internet Share Application, received and/or have had access to a printed/electronic copy of our Prospectus, the contents of which you have fully read and understood;

(d) You agree to all the terms and conditions of the Internet Share Application as set out in our Prospectus and have carefully considered the risk factors as well as all other information and statements set out in our Prospectus, before making your Internet Share Application;

(e) Your Internet Share Application is the only application that you are submitting for our IPO Shares offered to the Malaysian Public;

(f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for our IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;

(g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Sections 133 and 134 of the Financial Service Act, 2013 and Section 45 of SICDA) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of your information, your Internet Share Application or your account with the Internet Participating Financial Institution, to our Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;

(h) You are not applying for our IPO Shares as a nominee of any other person and your Internet Share Application is made in your own name, as beneficial owner and subject to the risks referred to in our Prospectus;

(i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with our IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Application services or if such disclosure is requested or required in connection with our IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

(iv) Your Application will not be successfully completed and cannot be recorded as a completed application unless you have paid for our IPO Shares through the website of the Authorised Financial Institution and completed all relevant application steps and procedures for the Internet Share Application which would result in the Internet financial services website displaying the Confirmation Screen.

For the purposes of our Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that your Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which you can print out for your records.

Upon the display of the Confirmation Screen, you will be deemed to have confirmed the truth of the statements set out in Section 6.2 (iii) above. The Confirmation Screen is only a record of the completed transaction with an Internet Participating Financial Institution and not a record of the receipt of the Internet Share Application or any data relating to such an Internet Share Application by our Company or the Issuing House. The Confirmation Screen is for your record and should not be submitted with any Application Form.

(v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making your Internet Share Application, to cover and pay for our IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which your Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in our Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.

(vi) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Internet Share Application. In the event that we decide to allot or allocate lesser number of such Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final.

In the course of completing your Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

(a) Your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and

(b) Your agreement to be bound by the Constitution of our Company.

(vii) You are fully aware that multiple or suspected multiple Internet Share Applications for our IPO Shares will be rejected. **A PERSON WHO SUBMITS MULTIPLE INTERNET SHARE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA**. Our Company reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without the need to give any reason. Due consideration will be given to the desirability of allotting or allocating the Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(viii) An Internet Share Application is deemed to be received only upon its completion, which is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for reference and record purposes. Late Internet Share Applications will not be accepted.

(ix) You acknowledge that your Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, and other events beyond the control of the Internet Participating Financial Institution, the Authorised Financial Institution, the Issuing House and our Company and irrevocably agree that if:

(a) our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment; and

(b) any data relating to your Internet Share Application or the tape or any other devices containing such data and/or payment is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you will be deemed not to have made an Internet Share Application and you will not make any claim whatsoever against our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution in relation to our IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

(x) All of your particulars in the records of the relevant Internet Participating Financial Institution at the time of your Internet Share Application shall be deemed to be true and correct, and we, the Issuing House, the Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You must ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application will be rejected. The notification letter on successful allotment will be sent to your last address maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

7. AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

Your Application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares. The Issuing House, on the authority of our Board reserves the right to:-

(i) reject 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), by

(a) ordinary post through the self-addressed and stamped Official "A" envelope which you have provided to the Issuing House;

(b) crediting into your bank account for the purposes of cash dividend / distribution if you have provided such bank account information to Bursa Depository; or

(c) ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

8. OVER / UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and / or eligible persons, subject to the underwriting arrangements and reallocation as set out in Section 4.3.4 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

9. UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be refunded to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (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 official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) 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 ten (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 / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within two (2) Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (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 two (2) Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

10. SUCCESSFUL APPLICANTS

If you are successful in your Application:-

(i) Our IPO Shares allotted to you will be credited into your CDS account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

11. ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 below.

12. LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name	Address and Telephone Number	Broker Code
KUALA LUMPUR		
AFFIN HWANG INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-77106688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21438668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel No : 03-91308803	068-021
ALLIANCE INVESTMENT BANK BERHAD	Level 17, Menara Multi-Purpose Capital Square 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26043333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20782788 / 20362633	086-001
BIMB SECURITIES SDN BHD	Level 32, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26918887 / 26131600	024-001
CGS-CIMB SECURITIES SDN BHD	Level 17, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel No : 03-22618888	065-001
FA SECURITIES SDN BHD	A-10-1 & A-10-17 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No : 03-22881676	021-001
HONG LEONG INVESTMENT BANK	Level 7, Menara HLA	066-001

Name	Address and Telephone Number	Broker Code
BERHAD	No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03 – 21681168	
HONG LEONG INVESTMENT BANK BERHAD	Level 25 & 26, Menara LGB No 1, Jalan Wan Kadir 60000, Taman Tun Dr Ismail Kuala Lumpur Tel No : 03-77236300	066-002
HONG LEONG INVESTMENT BANK BERHAD	Level 27 & 28, Menara Hong Leong No.6 Jalan Damanlela Bukit Damansara 50490 Kuala Lumpur Tel No : 03 – 20831800	066-008
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-21171888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8, Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-79847796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90562921 / 90562922	054-007
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21710228	053-001
KENANGA INVESTMENT BANK BERHAD	Level 17, Kenanga Tower, 237 Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-21722888	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-42978806	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor West Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-20892888	073-001

Name	Address and Telephone Number	Broker Code
M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 and 43-6 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-22821820	057-002
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel No : 03-79839890	057-004
MALACCA SECURITIES SDN BHD	No 76-1, Jalan Wangsa Maju Delima 6, Pusat Bandar Wangsa Maju (KLSC) Setapak, 53300, Kuala Lumpur Tel No: 03-4144 2565	012-001
MALACCA SECURITIES SDN BHD	B-M-10, Block B Plaza Arkadia Jalan Intisari Perdana Desa Park City 52200 Kuala Lumpur Tel No: 03-2733 9782	012-001
MALACCA SECURITIES SDN BHD	B01-A-13A Level 13A, Menara 2 No. 3, Jalan Bangsar KL Eco City 59200 Kuala Lumpur Tel No : 03-2201 2100	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5, Tower C Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-22978888	098-001
MAYBANK INVESTMENT BANK BERHAD	Tingkat 27, 31 to 33 Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur Tel No : 03-20591888	098-007
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont' Kiara 50480 Kuala Lumpur Tel No : 03-62037227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9, 10, 11, 12 Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-21738888	026-001
PM SECURITIES SDN BHD	Ground Floor,Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-21463000	064-001

Name	Address and Telephone Number	Broker Code
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Bangunan Public Bank No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-22683000	051-001
RHB INVESTMENT BANK BERHAD	Level 1, Tower 3 RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-92873888	087-001
RHB INVESTMENT BANK BERHAD	No. 62, 62-1, 64 & 64-1, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03 - 62575869	087-028
RHB INVESTMENT BANK BERHAD	No. 5 & 7, Jalan Pandan Indah 4/33 Pandan Indah 55100 Kuala Lumpur Tel No : 03-42804798	087-054
RHB INVESTMENT BANK BERHAD	Ground Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90587222	087-058
TA SECURITIES HOLDINGS BERHAD	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-20721277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-62056000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-21471888	078-010
SELANGOR DARUL EHSAN		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite B 3A1, East Wing, 3Ath Floor, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56356688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	4th Floor, Wisma Meru 1 Lintang Pekan Baru Off Jalan Meru	068-019

Name	Address and Telephone Number	Broker Code
	41050 Klang Selangor Darul Ehsan Tel No : 03-33439999	
AFFIN HWANG INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve 6 Jalan PJU 7/3, Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77298016	068-020
AFFIN HWANG INVESTMENT BANK BERHAD	No.79-1, Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-33221999	068-023
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 77106613	086-001
CGS-CIMB SECURITIES SDN BHD	Level G, 1,2-01,3 & 6, Tropicana City Office Tower No 3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 77173388	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, 135 & 137 Jalan Sultan Abdul Samad 42700 Banting Selangor Darul Ehsan Tel No : 03 – 31811337	065-001
CGS-CIMB SECURITIES SDN BHD	No. A-07-01 & A-07-02 Level 7, Empire Office Tower Empire Subang, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03 – 56317934	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor (No.26-2) Lorong Batu Nilam 4B Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03 – 33257105	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor (No. 11A), Jalan Kenari 1 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03 – 58916852	065-001

Name	Address and Telephone Number	Broker Code
CGS-CIMB SECURITIES SDN BHD	1st Floor, No. 26A(F), 26A(M) & 26A(B) Jalan SJ6, Taman Selayang Jaya 68100 Batu Caves Selangor Darul Ehsan Tel No : 03 – 61371680	065-001
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03 – 87361118	079-001
JF APEX SECURITIES BERHAD	16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 76201118	079-002
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77259095	073-001
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7 Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56212118	073-001
KENANGA INVESTMENT BANK BERHAD	35 (Ground, 1st & 2nd Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33488080	073-001
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56361533	012-001
MALACCA SECURITIES SDN BHD	No. 54M, Mezzanine Floor Jalan SS2/67, Petaling Jaya Selangor Darul Ehsan Tel No : 03-7876 1533	012-001
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77188888	098-004

Name	Address and Telephone Number	Broker Code
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-7718 8888	098-004
PM SECURITIES SDN BHD	1st Floor, 157- A, Jalan Kenari 23A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80700773	064-003
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33415300	064-001
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78736366	087-011
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-87363378	087-045
RHB INVESTMENT BANK BERHAD	First Floor, 10 & 11 Jalan Maxwell 48000, Rawang Selangor Darul Ehsan Tel No :03 - 60928916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang, Selangor Darul Ehsan Tel No : 03-33439180	087-048
RHB INVESTMENT BANK BERHAD	Unit 1B, 2B & 3B Jalan USJ 10/1J USJ 10, 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80221888	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy, Lot 72, Persiaran Jubli Perak Section 22, 40000 Shah Alam Selangor Darul Ehsan Tel No : 03-51920202	096-001

Name	Address and Telephone Number	Broker Code
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint, PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77323862	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80251880	058-005
TA SECURITIES HOLDINGS BERHAD	2nd Floor, Wisma TA 1A Jalan SS20/1, Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel no : 03 – 77295713	058-007
MELAKA		
CGS-CIMB SECURITIES SDN BHD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-2898800	065-001
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang 75250 Melaka Tel No : 06-3371533	012-001
KENANGA INVESTMENT BANK BERHAD	71 (Ground, A&B) & 73 (Ground, A&B) Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2881720	073-001
KENANGA INVESTMENT BANK BERHAD	22A & 22A-1 and 26 & 26-1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06-3372550	073-001
MERCURY SECURITIES SDN BHD	81, 81A & 81B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2921898	093-003
PM SECURITIES SDN BHD	No 6-1, Jalan Lagenda 2, Taman 1 Lagenda, 75400 Melaka Tel No : 06-2880050	064-006

Name	Address and Telephone Number	Broker Code
RHB INVESTMENT BANK BERHAD	579, 580 & 581, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06 – 2825211	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A, 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2862618	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2 Jalan PPM8 Malim Business Park 75250 Melaka Tel No : 06-3352511	078-014

PERAK DARUL RIDZUAN

Name	Address and Telephone Number	Broker Code
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen Ground Floor, 1, 2 & 3 34000 Taiping Perak Darul Ridzuan Tel No : 05-8066688	068-003
AFFIN HWANG INVESTMENT BANK BERHAD	2nd & 3rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559988	068-015
CGS-CIMB SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2088688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	066-003
KENANGA INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 4th Floor No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422828	073-022
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6939828	073-031

Name	Address and Telephone Number	Broker Code
M & A SECURITIES SDN BHD	5th, 6th Floor & Unit 8A M&A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
MALACCA SECURITIES SDN BHD	No 3, 1st Floor, Persiaran Greenhill 30450, Ipoh Perak Darul Ridzuan Tel No: 05-2541 533 / 2541577	012-013
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh, Perak Tel No : 05-2453400	098-002
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236498	087-014
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921228	087-016
RHB INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088229	087-034
RHB INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4651261	087-044

Name	Address and Telephone Number	Broker Code
RHB INVESTMENT BANK BERHAD	No 1&3, 1st Floor Jalan Wawasan Satu Taman Wawasan Jaya 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170888	087-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30300 Ipoh Perak Darul Ridzuan Tel No : 05-2411290	078-002
PULAU PINANG		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 5, 7 & 8 Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636996	068-001
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4, Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372882	068-006
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Bangunan Barkath 21, Lebuh Pantai 10300 Pulau Pinang Tel No: 04-2611688	076-015
AMINVESTMENT BANK BERHAD	3rd Floor, Menara Liang Court 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2261818	086-001
CGS-CIMB SECURITIES SDN BHD	Level 2, Menara BHL, 51, Jalan Sultan Ahmad Shah, 10050 Pulau Pinang Tel No : 04-2385900	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, 32A Jalan Mahsuri 11950 Bandar Bayan Baru Pulau Pinang Tel No : 04 – 6422287	065-001

Name	Address and Telephone Number	Broker Code
CGS-CIMB SECURITIES SDN BHD	No. 20-1 & No. 20-2 Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Pulau Pinang Tel No : 04 – 6412881	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor, No. 6160 Jalan Ong Yi How Kawasan Perindustrian Teras Jaya 13400 Butterworth Pulau Pinang Tel No : 04 – 3291112	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, Unit 1308 & 1309 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Pulau Pinang Tel No : 04 – 5821388/1368	065-001
INTER-PACIFIC SECURITIES SDN BHD	Canton Square Level 2 (Unit 1) & Level 3 No 56. Cantontment Road 10250 Pulau Pinang Tel No : 04-2268288	054-002
JF APEX SECURITIES BERHAD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel No : 04-2289118	079-005
KENANGA INVESTMENT BANK BERHAD	7th, 8th & 16th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283355	073-023
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04-2817611	057-005
M & A SECURITIES SDN BHD	9-1-33, Taman Kheng Tian Jalan Van Praagh, 11600, Georgetown Pulau Pinang Tel No : 04 – 2888 788	057-008
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel No : 04-3905669	012-001

Name	Address and Telephone Number	Broker Code
MALACCA SECURITIES SDN BHD	No 17, 1st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel No : 04-6421533	012-001
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, 1st Floor, Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown, Pulau Pinang Tel No : 04-2196888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Pulau Pinang Tel No : 04-3322123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Tel No : 04-2639118	093-004
MERCURY SECURITIES SDN BHD	D'Piazza Mall 70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Pulau Pinang Tel No : 04-6400822	093-006
PM SECURITIES SDN BHD	Level 3, Wisma Wang 251-A, Jalan Burmah 10350, Pulau Pinang Tel No : 04-2273000	064-004
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No : 04-3900022	087-005
RHB INVESTMENT BANK BERHAD	64 & 64-D Ground Floor-3rd Floor & 5th-8th Floor Lebuh Bishop 10200 Pulau Pinang Tel No : 04-2634222	087-033
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5, 15-1-6, 15-2-5, 15-2-6 & 15-2-24 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-6404888	087-042

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	3rd Floor, Bangunan Heng Guan No 171, Jalan Burmah 10050 Pulau Pinang Tel No : 04-2272339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1st Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-2299318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5541388	078-003
PAHANG DARUL MAKMUR		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1st Floor B400, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660800	076-002
CGS-CIMB SECURITIES SDN BHD	Ground, 1st & 2nd Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09-5057800	065-001
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2 Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No : 09-5171698	073-001
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09-2220993 / 014 – 9215 992	012-001
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-5173811	087-007

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 09-4914913	087-041
KELANTAN DARUL NAIM		
CGS-CIMB SECURITIES SDN BHD	Level 4, Wisma TCH (fka Wisma Square Point) Jalan Pengkalan Chepa 15400 Kota Bharu Kelantan Darul Naim Tel No : 09-7419050	065-001
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-7430077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7432288 / 09 – 743 3388	058-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground &1st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7473906	078-004
TERENGGANU DARUL IMAN		
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6317922	076-009
RHB INVESTMENT BANK BERHAD	Tingkat bawah & Tingkat satu 9651 Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-8583109	087-027
RHB INVESTMENT BANK BERHAD	1st Floor, 59 Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6261816	087-055

Name	Address and telephone number	Broker code
UOB KAY HIAN SECURITIES (M) SDN BHD	37-B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6224766	078-016
KEDAH DARUL AMAN		
AFFIN HWANG INVESTMENT BANK BERHAD	70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088 / 731 8270	076-004
CGS-CIMB SECURITIES SDN BHD	2nd Floor, No. 102 Kompleks Persiaran Sultan Abdul Hamid Jalan Pegawai 05050 Alor Setar Kedah Darul Aman Tel No : 04-7774400	065-001
MALACCA SECURITIES SDN BHD	No. 9 Tingkat Satu Kompleks Perniagaan LITC Jalan Putra Mergong 05150 Alor Setar Kedah Darul Aman Tel No : 04-7350888	012-001
RHB INVESTMENT BANK BERHAD	35, Ground Floor, Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-4964888	087-019
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, 214-A, 214-B, 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209888	087-021
NEGERI SEMBILAN DARUL KHUSUS		
AFFIN HWANG INVESTMENT BANK BERHAD	1st Floor, 105, 107 & 109 Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612288	068-007

Name	Address and telephone number	Broker code
CGS-CIMB SECURITIES SDN BHD	Level 2, Wisma Dewan Perniagaan Melayu Negeri Sembilan Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7614651	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor, Lot 3110 Jalan Besar, Lukut 71010 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-6515385	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, No. 21 Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553155	065-001
AFFIN HWANG INVESTMENT BANK BERHAD	6, Upper Level, Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553188	068-013
KENANGA INVESTMENT BANK BERHAD	1C & 1D, Ground & 1st Floor Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan Tel No : 06-7655998	073-001
MAYBANK INVESTMENT BANK BERHAD	Wisma HM No. 43, Jalan Dr Krishnan 70000 Seremban Negeri Sembilan Tel No : 06-7669555	098-005
PM SECURITIES SDN BHD	1st-3rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	064-002
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641641	087-024
RHB INVESTMENT BANK BERHAD	Tingkat Satu No.3601 Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-4421000	087-037

Name	Address and telephone number	Broker code
JOHOR DARUL TAKZIM		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-7717922	076-006
AMINVESTMENT BANK BERHAD	2nd & 3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	086-001
AMINVESTMENT BANK BERHAD	18th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3343855	086-001
CGS-CIMB SECURITIES SDN BHD	Ground & 1st Floor No 73 & 73A, Jalan Kuning Dua, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3405888	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, 101 Jalan Gambir 8 Bandar Baru Bukit Gambir 84800 Muar Johor Darul Takzim Tel No : 07-9764559	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, No. 8A, Jalan Dedap 20 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3537669	065-001
CGS-CIMB SECURITIES SDN BHD	2nd Floor, 113 & 114 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9311509	065-001
CGS-CIMB SECURITIES SDN BHD	1st Floor, No. 384A Jalan Simbang, Taman Perling 81200 Johor Bahru Johor Darul Takzim Tel No : 07-2329673	065-001

Name	Address and telephone number	Broker code
INTER-PACIFIC SECURITIES SDN BHD	95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	054-004
KENANGA INVESTMENT BANK BERHAD	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333600	073-004
KENANGA INVESTMENT BANK BERHAD	Ground & Mezzanine Floor 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333515	073-009
KENANGA INVESTMENT BANK BERHAD	33 & 35 (A&B), Ground Floor Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771161	073-010
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782292	073-001
KENANGA INVESTMENT BANK BERHAD	24, 24A & 24B Jalan Penjaja 3, Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4326963	073-001
KENANGA INVESTMENT BANK BERHAD	57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9531222	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07 – 4678 885	073-001
KENANGA INVESTMENT BANK BERHAD	916, Ground Floor Jalan Bakek 82000, Pontian Johor Darul Takzim Tel : 07 – 6861 121	073-001

Name	Address and telephone number	Broker code
M & A SECURITIES SDN BHD	Suite 5.3A, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3381233	057-003
MALACCA SECURITIES SDN BHD	31B Jalan Rahmat 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4381533	012-001
MALACCA SECURITIES SDN BHD	1735-B Jalan Sri Putri 4 Taman Putri Kulai 81000, Kulaijaya Johor Darul Takzim Tel: 07-6638877	012-001
MALACCA SECURITIES SDN BHD	Lot 880, 3 ½ Mile Jalan Salleh 84000 Muar Johor Darul Takzim Tel: 06-9536948	012-001
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	093-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333608	064-001
RHB INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380288	087-009

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9538262	087-025
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-5577628	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-9321543	087-030
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel No : 07-7769655	087-031
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626288	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor, Nos. 21 & 23 Jalan Molek 1/30, Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522293	087-006
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No : 07-9435278	058-003
TA SECURITIES HOLDINGS BERHAD	15, Jalan Molek 1/5A Taman Molek 81000 Johor Bahru Tel No: 07-3647388	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332000	078-001

Name	Address and telephone number	Broker code
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-6635651	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	70 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513218	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	171 Ground Floor Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-5121633	078-008
SARAWAK		
AFFIN HWANG INVESTMENT BANK BERHAD	282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330008	068-016
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel No : 082-341999	068-005
AMINVESTMENT BANK BERHAD	1st , 2nd, & 3rd Floor, No. 162, 164, 166 & 168 Jalan Abell 93100 Kuching Sarawak Tel No : 082-244791	086-001
CGS-CIMB SECURITIES SDN BHD	Ground Floor, No. 6A, Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No : 084-367700	065-001
CGS-CIMB SECURITIES SDN BHD	Level 1 (North), Wisma STA No. 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching, Sarawak Tel No : 082-358688	065-001

Name	Address and telephone number	Broker code
KENANGA INVESTMENT BANK BERHAD	Lot 1866, Jalan MS 2/5 Marina Square 2 Marina Parkcity 98000 Miri Sarawak Tel No : 085-435577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338000	073-003
KENANGA INVESTMENT BANK BERHAD	11-12, Ground & 1st Floor Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313855	073-012
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel No : 086-337588	073-018
MERCURY SECURITIES SDN BHD	1st Floor, 16, Jalan Getah 96100 Sarikei, Sarawak Tel No : 084- 656281	093-001
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2nd Floor Lot 365, Section 50, Jalan Abell 93100 Kuching Sarawak Tel : 082- 250888	087-008
RHB INVESTMENT BANK BERHAD	2nd Floor, Lot 1268 & Lot 1269 Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422788	087-012
RHB INVESTMENT BANK BERHAD	No. 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No : 084-329100	087-008
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 221, Parkcity Commerce Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-311770	087-053

Name	Address and telephone number	Broker code
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084-319998	058-002
TA SECURITIES HOLDINGS BERHAD	Tingkat 2, Bangunan Binamas Lot 138, Section 54 Jalan Padungan 93100 Kuching Sarawak Tel No : 082-236333	058-006
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 1265, 1st Floor Centre Point Commercial Centre Jalan Melayu 98000, Miri Sarawak Tel: 085 - 324128	078-017
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No 16, Lorong Intan 6 96000 Sibu Sarawak Tel: 084-252737	078-018
SABAH		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1, 9th Floor CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu, Sabah Tel No : 088-311688	068-008
CGS-CIMB SECURITIES SDN BHD	1st & 3rd Floor Central Building Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-328878	065-001
CGS-CIMB SECURITIES SDN BHD	1st Flr, Lot 12, Block A3 Phase 2, Utama Place Mile 6 Northern Road 90000 Sandakan Sabah Tel No : 089-215578	065-001
KENANGA INVESTMENT BANK BERHAD	Level 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236188	073-032

Name	Address and telephone number	Broker code
RHB INVESTMENT BANK BERHAD	2nd Floor 81 & 83, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-269788	087-010
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 177 & 178, Ground Floor Block 17, Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No : 089-218681	078-012