

## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia under the Act as a private limited company on 21 July 2022. Our Company was incorporated as a special purpose vehicle to facilitate the Listing. The historical financial information of our Group for FYE 2021 to 2023 is therefore presented based on the audited combined financial statements of our Group.

Our audited combined financial statements for FYE 2021 to 2023 were 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.

#### 12.1.1 Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2021 to 2023. It should be read in conjunction with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	51,706	74,886	88,662
Cost of sales	(37,131)	(49,833)	(62,053)
<b>GP</b>	<b>14,575</b>	<b>25,053</b>	<b>26,609</b>
Other operating income	1,706	1,859	1,119
Net (loss)/ gain on impairment of receivables and contract assets	(51)	51	1,064
Administrative expenses	(5,640)	(6,609)	(9,659)
Selling and distribution expenses	(309)	(298)	(379)
Other operating expenses	(233)	(539)	(197)
Finance costs	(620)	(952)	(1,383)
<b>PBT</b>	<b>9,428</b>	<b>18,565</b>	<b>17,174</b>
Tax expense	(2,061)	(3,998)	(3,057)
<b>PAT</b>	<b>7,367</b>	<b>14,567</b>	<b>14,117</b>
<b>Other comprehensive income, net of tax</b>			
<u>Item that may be reclassified subsequently to profit or loss</u>			
Foreign exchange translation, net of tax	58	102	1,062
<b>Total comprehensive income</b>	<b>7,425</b>	<b>14,669</b>	<b>15,179</b>
EBIT <sup>(1)</sup>	10,033	19,452	18,499
EBITDA <sup>(1)</sup>	12,684	21,846	21,176
GP margin (%) <sup>(2)</sup>	28.2	33.5	30.0
PBT margin (%) <sup>(3)</sup>	18.2	24.8	19.4
PAT margin (%) <sup>(3)</sup>	14.2	19.5	15.9
Effective tax rate (%) <sup>(4)</sup>	21.9	21.5	17.8
Basic EPS (sen) <sup>(5)</sup>	1.5	3.0	2.9
Diluted EPS (sen) <sup>(6)</sup>	1.2	2.4	2.3

**12. FINANCIAL INFORMATION (Cont'd)****Notes:**

- (1) EBIT and EBITDA are calculated as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT	7,367	14,567	14,117
Less:			
Interest income	(15)	(65)	(58)
Add:			
Finance costs	620	952	1,383
Tax expense	2,061	3,998	3,057
<b>EBIT</b>	<b>10,033</b>	<b>19,452</b>	<b>18,499</b>
Add:			
Depreciation and amortisation	2,651	2,394	2,677
<b>EBITDA</b>	<b>12,684</b>	<b>21,846</b>	<b>21,176</b>

- (2) GP margin is calculated based on GP divided by revenue.
- (3) PBT and PAT margin is calculated based on PBT and PAT divided by revenue, respectively.
- (4) Effective tax rate is calculated based on tax expenses divided by PBT.
- (5) Basic EPS is calculated based on PAT divided by our share capital of 483,390,000 Shares before our IPO.
- (6) Diluted EPS is calculated based on PAT divided by our enlarged share capital of 608,292,000 Shares after our IPO.

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**12. FINANCIAL INFORMATION (Cont'd)****12.1.2 Historical combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 28 February 2021, 28 February 2022 and 28 February 2023. It should be read in conjunction with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>		
	<b>28 February</b>	<b>28 February</b>	<b>28 February</b>
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11,567	8,611	10,901
Right-of-use assets	3,892	7,786	11,068
Investment properties	5,682	-	-
<b>Total non-current assets</b>	<b>21,141</b>	<b>16,397</b>	<b>21,969</b>
<b>Current assets</b>			
Inventories	1,573	2,577	2,430
Contract assets	11,200	16,457	24,140
Trade and other receivables	15,559	20,418	21,980
Cash and bank balances	7,194	9,588	15,273
<b>Total current assets</b>	<b>35,526</b>	<b>49,040</b>	<b>63,823</b>
Assets held for sale	918	6,161	-
	<b>36,444</b>	<b>55,201</b>	<b>63,823</b>
<b>TOTAL ASSETS</b>	<b>57,585</b>	<b>71,598</b>	<b>85,792</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the combining entities</b>			
Invested equity*	2,353	2,508	3,908
Reserves	23,960	33,257	44,598
<b>TOTAL EQUITY</b>	<b>26,313</b>	<b>35,765</b>	<b>48,506</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	798	1,135	1,365
Deferred income	-	-	171
Lease liabilities	3,098	4,888	6,344
Borrowings	7,950	4,126	4,188
<b>Total non-current liabilities</b>	<b>11,846</b>	<b>10,149</b>	<b>12,068</b>
<b>Current liabilities</b>			
Trade and other payables	10,782	6,765	8,232
Deferred income	-	-	16
Contract liabilities	-	-	155
Lease liabilities	779	1,915	2,589
Borrowings	6,397	11,053	12,810
Current tax liabilities	1,468	2,234	1,416
<b>Total current liabilities</b>	<b>19,426</b>	<b>21,967</b>	<b>25,218</b>
Borrowings associated with assets held for sale	-	3,717	-
<b>Total liabilities</b>	<b>31,272</b>	<b>35,833</b>	<b>37,286</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>57,585</b>	<b>71,598</b>	<b>85,792</b>

**Note:**

\* Number of ordinary shares on combined basis.

**12. FINANCIAL INFORMATION (Cont'd)****12.1.3 Historical combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for FYE 2021 to 2023. It should be read in conjunction with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>			
Profit before tax	9,428	18,565	17,174
Adjustments for:			
Amortisation of deferred income	-	-	(6)
Assets written off	178	-	-
Depreciation of property, plant and equipment	1,481	920	850
Depreciation of right-of-use assets	928	1,232	1,833
Depreciation of investment properties	242	242	-
Gain on lease termination	(1)	(35)	-
Net loss/(gain) on impairment of receivables and contract assets	51	(51)	(1,064)
Interest expenses	620	952	1,383
Interest income	(15)	(65)	(58)
Loss/(gain) on disposal of right-of-use assets	39	(64)	-
(Gain)/loss on disposal of property, plant and equipment	(17)	242	71
Gain on disposal of assets held for sale	-	(481)	(339)
Property, plant and equipment written off	-	289	123
Bad debt written off/(back)	-	20	(5)
Unrealised loss on foreign exchange	4	-	-
Operating profit before changes in working capital	12,938	21,766	19,962
Changes in working capital:			
Inventories	(20)	(1,004)	147
Contract assets/contract liabilities	(5,915)	(5,246)	(7,178)
Trade and other receivables	(1,641)	(4,783)	11
Trade and other payables	4,554	(2,096)	2,930
Cash generated from operations	9,916	8,637	15,872
Tax paid	(737)	(3,206)	(3,792)
Tax refunded	117	304	-
<b>Net cash from operating activities</b>	<b>9,296</b>	<b>5,735</b>	<b>12,080</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(3,821)	(4,117)	(2,533)
Additions of right-of-use assets	(189)	(562)	(619)
Placement of pledged deposits with licensed banks	(500)	(500)	(2,430)
Proceeds from disposal of property, plant and equipment	82	1,989	760
Proceeds from disposal of right-of-use assets	432	260	-
Proceeds from disposal of assets held for sale	-	1,400	6,500
(Advance to)/repayments from a related party	(5)	5	-
Interest received	15	65	58
<b>Net cash (used in)/from investing activities</b>	<b>(3,986)</b>	<b>(1,460)</b>	<b>1,736</b>

**12. FINANCIAL INFORMATION (Cont'd)**

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from financing activities</b>			
Dividend paid	(3,906)	(5,371)	(3,839)
Interest paid for borrowings	(524)	(676)	(1,002)
Net drawdown/(repayment) of borrowings	8,287	4,506	(3,528)
Proceeds from issuance of ordinary shares	50	155	1,400
Repayments to:			
- Director	(870)	(730)	(1,630)
- Related parties	(65)	(229)	(121)
Advances from related parties	19	93	125
Net repayment of lease liabilities	(1,013)	(181)	(2,671)
<b>Net cash from/(used in) financing activities</b>	<b>1,978</b>	<b>(2,433)</b>	<b>(11,266)</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,288</b>	<b>1,842</b>	<b>2,550</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>12</b>	<b>52</b>	<b>510</b>
<b>Cash and cash equivalents at the beginning of financial year</b>	<b>(606)</b>	<b>6,694</b>	<b>8,588</b>
<b>Cash and cash equivalents at the end of financial year</b>	<b>6,694</b>	<b>8,588</b>	<b>11,648</b>

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**12. FINANCIAL INFORMATION (Cont'd)**

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**12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following discussion and segmental analysis of our audited combined financial statements for FYE 2021 to 2023 should be read in conjunction with the Accountants' Report included in Section 13.

**12.2.1 Overview of our operations****(a) Principal activities**

Our core business activities are as follows:

- (i) provision of underground utilities engineering solutions; and
- (ii) manufacturing and trading of HDPE pipes.

Please refer to Section 7 for our Group's detailed business overview.

**(b) Revenue**

Our revenue for FYE 2021 to 2023 was derived from Malaysia and Singapore based on our services provided.

Our Group generally enters into contracts with our customers on a project-by-project basis for provision of underground utilities engineering solutions. While our sales of HDPE pipes are based on purchase orders from our customers. Our Group's revenue recognition criteria are as follow:

- (i) Provision of underground utilities engineering solutions

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that our 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 our Group does not create an asset with an alternative use to our Group and we have 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 that performance obligation using the input method, which is based on the total actual construction cost incurred to date as compared to the total budgeted costs for the respective construction projects.

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.

- (ii) Manufacturing and trading of HDPE pipes

Revenue from sales of goods is recognised at a point in time when the goods has been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**(c) Cost of sales**

The cost of sales comprises purchase of raw materials, construction materials, subcontractors' fee and overhead. Raw materials include purchase of HDPE resin and masterbatches for the manufacturing of HDPE pipes. Construction materials include the purchase of pipes, cables and accessories for our underground utilities engineering solutions. Subcontractors' fee comprise amount paid for contractual workers' salaries and third-party subcontractors which we engaged to carry out selected portions of our works. Overhead include maintenance (comprising regular maintenance and service of machineries and motor vehicles), rental of machineries, site expenses, insurance, transport charges, depreciation and staff costs.

**(d) Other operating income**

Other operating income mainly includes gain on disposal of fixed assets, insurance compensation received, lease of machinery, interest income, rental income and government subsidies.

**(e) Administrative expenses**

Administrative expenses mainly comprise overheads incurred to maintain our operations such as staff costs, depreciation, directors' remuneration, expenses for investment properties, professional fees, maintenance, rental of premises and marketing expenses.

**(f) Selling and distribution expenses**

Selling and distribution expenses comprise of sales commission paid to our marketing employees and unrelated third party salesperson based on the sales secured by the said employee or salesperson, staff costs and transportation costs.

**(g) Other operating expenses**

Other operating expenses relate to expenses incurred which are not directly related to our operations such as fixed assets written off including renovations, plant and machinery, furniture and fittings as well as office equipment, loss on disposal of fixed assets as well as realised and unrealised loss on foreign exchange.

**(h) Finance costs**

Finance costs comprise interest expense on our borrowings and lease liabilities.

**(i) Recent developments**

Save for the Acquisitions, there were no other significant events subsequent to our audited combined financial statements for FYE 2023.

**(j) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items for FYE 2021 to 2023. In addition, our audited combined financial statements for FYE 2021 to 2023 were not subject to any audit qualifications.

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## **12. FINANCIAL INFORMATION (Cont'd)**

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### **12.2.2 Significant factors affecting our revenue**

Please refer to Section 9 for the details 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 revenue and profit include but not limited to the following:

**(a) Our Group's revenue is project-based and our Group's historical financial performance may not be indicative of our future financial performance**

In our industry, it is common for projects to be awarded based on competitive bidding, and as such, we have to bid competitively for every contract that we wish to secure.

Accordingly, the scale and number of projects and the amount of revenue that we are able to derive therefrom are affected by a series of factors including but not limited to changes in our customers' businesses, economic downturn and availability of funds/ budgetary considerations on the part of project owners. Consequentially, our revenue may vary significantly from period to period, and it may be difficult to forecast our financial performance.

Please refer to Section 9.1.1 for further details.

**(b) Our Group is dependent on major customers**

Our Group's top 3 customers for FYE 2021 to 2023 were Komasi Engineering, Wee Guan Group and Sutera Utama. Collectively, Komasi Engineering, Wee Guan Group and Sutera Utama contributed to 84.0%, 92.1% and 77.8% of our Group's revenue for FYE 2021 to 2023 respectively.

Based on our historical relationship established with the major customers, the Exclusive Engineering Service Provider Agreements, and our unbilled order book as at LPD amounting to RM220.8 million, which expected to be realised over the next 3 financial years, we expect that the abovementioned major customers will continue to contribute significantly to our Group's revenue in the future. As at LPD, the order book attributable to the abovementioned major customers is RM208.6 million, representing 94.5% of our Group's unbilled order book. We will continue to serve our other customers and strive to pursue business development activities to expand our customer base and reduce dependency on the abovementioned major customers through our future plans and strategies. Please refer to Section 7.18 for further details on our Group's business strategies and prospects.

Please refer to Section 9.1.2 for further details.

**(c) Our contracts may be subject to early termination**

In the event we experience any early termination of our contracts, the loss of revenue and/ or costs incurred arising from such termination may have an adverse impact on the financial condition and prospects of our Group. If our Group is at fault, we may also be susceptible to the risks of legal claims, liabilities and compensation to our customers. This could have a negative impact on our financial condition and reputation.

Please refer to Section 9.1.11 for further details.



**12. FINANCIAL INFORMATION (Cont'd)****12.2.3 Review of our results of operations****(a) Revenue****Analysis of revenue by business segment**

<b>Business segment</b>	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Underground utilities engineering solutions	44,061	85.2	68,596	91.6	79,720	89.9
Manufacturing and trading of HDPE pipes <sup>(1)</sup>	7,645	14.8	6,290	8.4	8,942	10.1
<b>Total</b>	<b>51,706</b>	<b>100.0</b>	<b>74,886</b>	<b>100.0</b>	<b>88,662</b>	<b>100.0</b>

**Note:**

(1) Being the sales of HDPE pipes to external parties.

**Analysis of revenue by geographical market**

<b>Country</b>	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Malaysia	43,249	83.6	57,278	76.5	65,774	74.2
Singapore	8,457	16.4	17,608	23.5	22,888	25.8
<b>Total</b>	<b>51,706</b>	<b>100.0</b>	<b>74,886</b>	<b>100.0</b>	<b>88,662</b>	<b>100.0</b>

**Comparison between FYE 2021 and FYE 2022**

- (i) Our Group's total revenue increased by RM23.2 million or 44.9% to RM74.9 million in FYE 2022 (FYE 2021: RM51.7 million). This was mainly due to revenue from underground utilities engineering solutions which increased by RM24.5 million or 55.6% to RM68.6 million in FYE 2022 (FYE 2021: RM44.1 million), mainly attributed to the following contracts:
- Commencement of project in relation to the supply and installation of 66kV power cables, auxiliary cables and accessories at multiple locations across Singapore ("**Project NDC 265**"), where RM4.8 million was recognised during FYE 2022;
  - On-going works in relation to the LOA for laying of 33kV cables and connection works for Unit Pembangunan Aset Zon Johor, Distribution Network, specifically for works under the PPU Wangsa Idaman to PPU Senai Hi-Tech areas, where RM4.5 million was recognised during FYE 2022, representing an increase from the RM3.2 million recognised in FYE 2021;

**12. FINANCIAL INFORMATION (Cont'd)**

- (c) Commencement of project in relation to the installation of 33kV power cables and cable interlink from PPU Seri Austin to PPU Pelangi Indah (laying of 33kV cables and connection works for Unit Pembangunan Aset Zon Johor, Distribution Network) where RM3.7 million was recognised during FYE 2022;
  - (d) Commencement of project in relation to the installation of 11kV cable at PPU Mobile Sungai Raya, Muar Johor (laying of 11kV cables using HDD method for Zone J2 Unit Pembangunan Aset Johor) where RM3.1 million was recognised during FYE 2022;
  - (e) Commencement of project in relation to the installation of 11kV power cables at Bandar Tasik Senangin, Seremban (laying of 11kV cables using HDD method for Selatan Bulk 2019 in Johor, Negeri Sembilan and Melaka) where RM2.0 million was recognised during FYE 2022;
  - (f) Commencement of project in relation to the installation of 33kV power cables at PPU Lukut to PPU Petron (laying of 33kV cables and connection works for Unit Pembangunan Aset Negeri Sembilan, Distribution Network) where RM1.9 million was recognised during FYE 2022;
  - (g) Commencement of project in relation to the installation of 33kV power cables from PPU Seelong to PPU Senai Hi-Tech (laying of 33kV cables using HDD method for Pembangunan Aset Zon Johor) where RM1.9 million was recognised during FYE 2022; and
  - (h) Commencement of project in relation to the installation of 33kV power cables from PPU Salak Tinggi to PPU Mesahill (laying of 33kV cables and connection works for Unit Pembangunan Aset Negeri Sembilan, Distribution Network) where RM1.7 million was recognised during FYE 2022.
- (ii) Due to operational restrictions during the COVID-19 pandemic, our Group experienced delay in project delivery schedules in FYE 2021 which resulted in delayed recognition of revenue of RM2.5 million in FYE 2021. Our Group's revenue growth was 33.6% in FYE 2022 after excluding the impact of the delayed recognition of revenue in FYE 2021.
  - (iii) The increase in our Group's revenue was partially offset by lower revenue from the sales of HDPE pipes, which decreased by RM1.3 million or 17.1% to RM6.3 million in FYE 2022 (FYE 2021: RM7.6 million). Most of the new contracts awarded by our Group to the subcontractors in FYE 2022 were for installation services, which meant that our Group had directly supplied HDPE pipes to the subcontractors for installation in those projects as opposed to outright sales of the HDPE pipes to the subcontractors, which resulted in decrease in sale of HDPE pipes to subcontractors.
  - (iv) Revenue from Malaysia increased by RM14.1 million or 32.6% to RM57.3 million in FYE 2022 (FYE 2021: RM43.2 million). A significant portion of this increase can be attributed to the aforementioned 7 contracts in Malaysia, which collectively contributed RM18.8 million. Meanwhile, revenue from Singapore increased by RM9.1 million or 107.1% to RM17.6 million in FYE 2022 (FYE 2021: RM8.5 million). Such increase can be attributed to Project NDC 265 whereby our Group recognised total revenue of RM4.8 million from the underground utilities engineering solutions and revenue of RM1.1 million from sales of HDPE pipes during FYE 2022.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2022 and FYE 2023**

Our Group's total revenue increased by RM13.8 million or 18.4% to RM88.7 million in FYE 2023 (FYE 2022: RM74.9 million). This was mainly due to the following:

- (i) Revenue from underground utilities engineering solutions which increased by RM11.1 million or 16.2% to RM79.7 million in FYE 2023 (FYE 2022: RM68.6 million), mainly attributed to the following contracts:
  - (a) On-going works in relation to Project NDC 265, where RM9.6 million was recognised during FYE 2023, an increase from RM4.8 million in FYE 2022;
  - (b) On-going works in relation to the installation of 33kV power cables from PPU Seelong to PMU Senai Hi-Tech (laying of 33kV cables and connection works for Unit Pembangunan Aset Zon Johor, Distribution Network) where RM4.9 million was recognised during FYE 2023, an increase from RM1.4 million in FYE 2022;
  - (c) Commencement of project in relation to the installation of 33kV power cables from PPU Perling to SSU DPTN (laying of 33kV cables and connection works for Unit Pembangunan Aset Zon Johor, Distribution Network) where RM4.6 million was recognised during FYE 2023; and
  - (d) Commencement of project in relation to the installation of 33kV power cables at Majlis Bandaraya Johor Bahru (project development PPU (mobile) Tiara for Package 3 and 33kV cables laying and connection works at route of Majlis Bandaraya Johor Bahru) where RM4.0 million was recognised during FYE 2023.
- (ii) Revenue from sales of HDPE pipes which increased by RM2.6 million, or 41.3% to RM8.9 million in FYE 2023 (FYE 2022: RM6.3 million). Such increase was mainly driven by additional sales of RM1.5 million recorded during FYE 2023 as compared to FYE 2022, as our Group's Malaysian customers had purchased the HDPE pipes from our Group for their own projects.

**(b) Cost of sales, GP and GP margin****Analysis of cost of sales by components**

Component	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Subcontractors' fee	20,742	55.9	<sup>(1)</sup> 27,023	54.2	31,262	50.4
Construction materials <sup>(2)</sup>	6,346	17.1	<sup>(1)</sup> 11,294	22.7	13,652	22.0
Raw materials	5,170	13.9	4,109	8.2	6,323	10.2
Overhead	4,873	13.1	7,407	14.9	10,816	17.4
<b>Total</b>	<b>37,131</b>	<b>100.0</b>	<b>49,833</b>	<b>100.0</b>	<b>62,053</b>	<b>100.0</b>

**Note:**

- (1) We gradually reduce the scope of our subcontractors from installation and supply of HDPE pipes to solely installation of HDPE pipes as Kum Fatt purchases HDPE pipes internally from PPI for its underground utilities engineering projects.
- (2) Includes cost of production incurred by PPI for HDPE pipes purchased by Kum Fatt.

**12. FINANCIAL INFORMATION (Cont'd)****Analysis of cost of sales by business segment**

Business segment	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Underground utilities engineering solutions	31,237	84.1	45,052	90.4	54,863	88.4
Manufacturing and trading of HDPE pipes	5,894	15.9	4,781	9.6	7,190	11.6
<b>Total</b>	<b>37,131</b>	<b>100.0</b>	<b>49,833</b>	<b>100.0</b>	<b>62,053</b>	<b>100.0</b>

**Analysis of cost of sales by geographical market**

Country	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	33,339	89.8	44,097	88.5	51,530	83.0
Singapore	3,792	10.2	5,736	11.5	10,523	17.0
<b>Total</b>	<b>37,131</b>	<b>100.0</b>	<b>49,833</b>	<b>100.0</b>	<b>62,053</b>	<b>100.0</b>

**Comparison between FYE 2021 and FYE 2022**

Our Group's total cost of sales increased by RM12.7 million or 34.2% to RM49.8 million in FYE 2022 (FYE 2021: RM37.1 million). This was mainly attributed to the higher cost of sales recognised from the underground utilities engineering solutions which increased RM13.8 million or 44.2% to RM45.0 million in FYE 2022 (FYE 2021: RM31.2 million).

In terms of component, the overall increase was mainly attributable to the following cost items:

- (i) Increase in subcontractors' fee of RM6.3 million or 30.4% to RM27.0 million in FYE 2022 (FYE 2021: RM20.7 million), was mainly due to commencement of numerous newly secured projects in FYE 2022. Our Group delegated these projects to subcontractors to handle the growing demands of the newly secured projects to carry out the works in order to achieve the targeted level of construction activities. The percentage of subcontractors' fees over the total cost of sales decreased from 55.9% in FYE 2021 to 54.2% in FYE 2022;
- (ii) Increase in purchase of construction materials of RM5.0 million or 79.4% to RM11.3 million in FYE 2022 (FYE 2021: RM6.3 million). Purchase of construction materials accounted for 17.1% and 22.7% of the total cost of sales in FYE 2021 and FYE 2022 respectively.

The increase in purchase of construction materials mainly attributed to the commencement of the following contracts in FYE 2022:

- (a) Installation of 33kV power cables and cable interlink from PPU Seri Austin to PPU Pelangi Indah;
- (b) Installation of 11kV cable at PPU Mobile Sungai Raya, Muar Johor;

**12. FINANCIAL INFORMATION (Cont'd)**

- (c) Installation of 11kV power cables at Bandar Tasik Senangin, Seremban;
- (d) Installation of 33kV power cables at PPU Lukut to PPU Petron; and
- (e) Installation of 33kV power cables from PPU Setia Indah to PPU Pelangi Indah.

The increase in purchase of construction materials corresponds to the reduction in sale of HDPE pipes to subcontractors as Kum Fatt purchase HDPE pipes internally from PPI for its underground utilities engineering projects in FYE 2022; and

- (iii) Increase in overhead expenses of RM2.5 million or 51.0% to RM7.4 million in FYE 2022 (FYE 2021: RM4.9 million). Overhead expense accounted for 13.1% and 14.9% of the total cost of sales in FYE 2021 and FYE 2022 respectively which is relatively consistent. The commencement of Project NDC 265 during FYE 2022 led to our Group incurring additional expenses, including incentives, allowances, and overtime payments to site workers in Singapore. As a result, there was an increase in staff costs for Singapore operations by RM1.1 million, contributing to the overall rise in overhead expenses during the period.

In terms of geographical market, the cost of sales to Malaysian customers increased by RM10.8 million or 32.4% to RM44.1 million in FYE 2022 (FYE 2021: RM33.3 million). The cost of sales to Singaporean customers increased by RM1.9 million or 50.0% to RM5.7 million in FYE 2022 (FYE 2021: RM3.8 million). These increases in cost of sales reflect the growth and expansion of our business in both Malaysia and Singapore.

**Comparison between FYE 2022 and FYE 2023**

Our Group's total cost of sales increased by RM12.3 million or 24.7% to RM62.1 million in FYE 2023 (FYE 2022: RM49.8 million). This was mainly attributed to higher cost of sales recognised from the underground utilities engineering solutions segment which increased by RM9.9 million or 22.0% to RM54.9 million in FYE 2023 (FYE 2022: RM45.0 million).

In terms of components, the overall increase was mainly attributable to the following cost items:

- (i) Increase in subcontractors' fee of RM4.3 million or 15.9% to RM31.3 million in FYE 2023 (FYE 2022: RM27.0 million). Subcontractors' fee accounted for 54.2% and 50.4% of the total cost of sales in FYE 2022 and FYE 2023 respectively;
- (ii) Increase in purchase of construction materials of RM2.4 million or 21.2% to RM13.7 million in FYE 2023 (FYE 2022: RM11.3 million). Purchase of construction materials accounted for 22.7% and 22.0% of the total cost of sales in FYE 2022 and FYE 2023 respectively;
- (iii) Increase in purchase of raw materials of RM2.2 million or 53.7% to RM6.3 million in FYE 2023 (FYE 2022: RM4.1 million). Purchase of raw materials accounted for 8.2% and 10.2% of the total cost of sales in FYE 2022 and FYE 2023 respectively; and
- (iv) Increase in overhead expenses of RM3.4 million or 45.9% to RM10.8 million in FYE 2023 (FYE 2022: RM7.4 million). Overhead expense accounted for 14.9% and 17.4% of the total cost of sales in FYE 2022 and FYE 2023 respectively.

**12. FINANCIAL INFORMATION (Cont'd)**

The increase in overall cost of sales is in line with the increased level of construction activities and scale of projects undertaken by our Group. The increase in subcontractors' fee was in line with the increase in revenue from underground utilities engineering solutions segment. Revenue from underground utilities engineering solutions segment increased 16.2% while the subcontractors' fees increased 15.9%. The increase in price of HDPE resin led to an increase in costs for purchasing construction and raw materials during FYE 2023. In FYE 2023, our Singapore operation witnessed an expansion in our HDD team, with the number of workers in HDD team increasing from 16 in FYE 2022 to 22 in FYE 2023. We have also created additional 3 teams of general workers with each team comprising of 8 to 10 workers, in order to expand the scope of our underground utilities engineering projects to include full-scale services which includes, amongst others, project planning, site survey, underground utility tracing, procurement, supply as well as testing and commissioning. This resulted in the increase in staff costs for our Singapore operations by RM1.9 million which led to an increase in overhead expenses.

In terms of geographical market, cost of sales to Malaysian customers increased by RM7.5 million or 17.0% to RM51.6 million in FYE 2023 (FYE 2022: RM44.1 million). The cost of sales to Singaporean customers increased by RM4.8 million or 84.2% to RM10.5 million in FYE 2023 (FYE 2022: RM5.7 million). Such increase was in line with our continued growth and expansion in both Malaysia and Singapore.

**Analysis of GP and GP margin by business segment**

Business segment	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	GP RM'000	GP margin %	GP RM'000	GP margin %	GP RM'000	GP margin %
Underground utilities engineering solutions	12,824	29.1	23,544	34.3	24,857	31.2
Manufacturing and trading of HDPE pipes	1,751	22.9	1,509	24.0	1,752	19.6
<b>Total GP</b>	<b>14,575</b>	<b>28.2</b>	<b>25,053</b>	<b>33.5</b>	<b>26,609</b>	<b>30.0</b>

**Analysis of GP and GP margin by geographical market**

Country	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	GP RM'000	GP margin %	GP RM'000	GP margin %	GP RM'000	GP margin %
Malaysia	9,910	22.9	13,181	23.0	14,244	21.7
Singapore	4,665	55.2	11,872	67.4	12,365	54.0
<b>Total GP</b>	<b>14,575</b>	<b>28.2</b>	<b>25,053</b>	<b>33.5</b>	<b>26,609</b>	<b>30.0</b>

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between FYE 2021 and FYE 2022**

Our Group's GP increased by RM10.5 million or 71.9% to RM25.1 million in FYE 2022 (FYE 2021: RM14.6 million), while the overall GP margin increased from 28.2% in FYE 2021 to 33.5% in FYE 2022.

Such increase in GP margin in FYE 2022 was mainly driven by the underground utilities engineering solutions, whereby our GP margin increased from 29.1% in FYE 2021 to 34.3% in FYE 2022. Our Group managed to maintain a low overhead costs (in proportion to the contract value of Project NDC 265) in the completion of Project NDC 265, which contributed significantly to GP, as our overhead costs primarily consist of fixed costs, which encompass depreciation of plant and machinery and staff costs. As a result, our Group's GP in Singapore increased by RM7.2 million or 153.2% to RM11.9 million in FYE 2022 (FYE 2021: RM4.7 million). Meanwhile, our Group's GP in Malaysia increased by RM3.3 million or 33.3% to RM13.2 million in FYE 2022 (FYE 2021: RM9.9 million).

**Comparison between FYE 2022 and FYE 2023**

Our Group's GP increased by RM1.5 million or 6.0% to RM26.6 million in FYE 2023 (FYE 2022: RM25.1 million), while our Group's overall GP margin decreased from 33.5% in FYE 2022 to 30.0% in FYE 2023.

The underground utilities engineering solutions recorded an increase in GP of RM1.3 million or 5.5% to RM24.9 million in FYE 2023 (FYE 2022: RM23.6 million). In addition, the sales of HDPE pipes recorded an increase in GP of RM0.2 million or 13.3% to RM1.7 million in FYE 2023 (FYE 2022: RM1.5 million). Such increases were in line with our Group's overall revenue growth.

However, our Group's decrease in GP margin in FYE 2023 was mainly due to decrease in GP margin for Singapore by 13.4% from 67.4% in FYE 2022 to 54.0% in FYE 2023. This was mainly due to our Group's decision to hire additional 39 site workers in Singapore in preparation for provision of a full-scale service as a subcontractor, which resulted in higher labour costs. For Singapore, our Group currently provides labour and HDD machinery for the installation services to our customers whilst the HDPE pipes for installation are supplied by the customers of the projects. In addition to the aforementioned services, our Group is currently in the preparation for the provision of full-scale services to our customers where this includes, amongst others, project planning, site survey, underground utility tracing, procurement, supply as well as testing and commissioning, of which our Group will require site workers for the provision of full-scale services. As at LPD, our Group has yet to identify/secure any project which involves provision of full-scale services.

On the other hand, our Group's GP margin for sales of HDPE pipes recorded a decrease of 4.4% from 24.0% in FYE 2022 to 19.6% in FYE 2023. This was primarily due to an increase in the price of HDPE resin throughout the year. Such increase was in line with the increase in global market price of HDPE resin. The average cost of HDPE resin was RM5.3 per kg in FYE 2022 (FYE 2023: RM5.6 per kg).

**12. FINANCIAL INFORMATION (Cont'd)****(c) Other operating income**

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Gain on disposal of assets held for sale	-	-	481	25.9	339	30.3
Gain on disposal of property, plant and equipment	17	1.0	-	-	-	-
Gain on disposal of right-of-use assets <sup>(1)</sup>	-	-	64	3.4	-	-
Gain on lease termination	1	0.1	35	1.9	-	-
Government subsidies <sup>(2)</sup>	527	30.9	362	19.5	201	17.9
Insurance compensation	-	-	58	3.1	-	-
Interest income	15	0.9	65	3.5	58	5.2
Lease of machinery	459	26.9	146	7.9	-	-
Rental of VR HDD and direct control simulator (for training purposes) <sup>(3)</sup>	-	-	55	2.9	37	3.3
Realised gain on foreign exchange	2	0.1	37	2.0	142	12.7
Rental income from motor vehicles	99	5.8	78	4.2	-	-
Rental income from properties	524	30.7	465	25.0	300	26.8
Others <sup>(4)</sup>	62	3.6	13	0.7	42	3.8
<b>Total</b>	<b>1,706</b>	<b>100.0</b>	<b>1,859</b>	<b>100.0</b>	<b>1,119</b>	<b>100.0</b>

**Notes:**

- (1) Relates to gain on disposal of motor vehicles which were acquired under hire purchase.
- (2) Mainly relate to the following subsidy, levy rebate and hiring incentive from the Government and government of Singapore:
- (i) wage subsidies programmes introduced by both governments as part of their COVID-19 economic stimulus package. Our Group received the said subsidies from April 2020 to September 2021;
  - (ii) foreign worker levy rebate from the government of Singapore in respect of a financial assistance programme for construction sector for retaining the employees during the COVID-19 pandemic. Our Group received the said levy rebate from April 2020 to July 2022; and
  - (iii) Job Growth Incentive programme introduced by the government of Singapore, which aims to support employers to expand local hiring. Our Group received the said subsidy from September 2021 to March 2023.
- (3) Relates to rental of VR HDD and simulator received from Iconix Skills Academy Sdn Bhd and Wee Guan Construction Pte Ltd for training purpose. These were one-off transactions.
- (4) Others include income from transport income and sales of scrap.



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**12. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FYE 2021 and FYE 2022**

Our Group's other operating income increased by RM0.2 million or 11.8% to RM1.9 million in FYE 2022 (FYE 2021: RM1.7 million) was mainly due to the gain on disposal of assets held for sale of RM0.5 million in FYE 2022. Our Group disposed of the investment property located in Petaling Jaya in October 2021. Please refer to Section 6.5(a) for further details of the said disposal.

Despite the increase in gain on disposal of assets held for sale, this was offset by the decrease of RM0.3 million in leasing machinery. During FYE 2022, our Group entered into a service agreement with a subcontractor, namely Ecobore Sdn Bhd, where we provided machinery to the subcontractor in return for reduced subcontractor fees which resulted in the decrease of income from lease of machinery. To the best of our management's knowledge, an exchange of services to reduced fees, as with any kind of exchange of goods and services, is common industry practice.

**Comparison between FYE 2022 and FYE 2023**

Our Group's other operating income decreased by RM0.8 million or 42.1% to RM1.1 million in FYE 2023 (FYE 2022: RM1.9 million) mainly attributable to:

- (i) Absence of gain on disposal of right-of-use assets in FYE 2023;
- (ii) Absence of rental income from motor vehicles and lease of machinery in FYE 2023;
- (iii) Absence of compensation received in FYE 2023 from insurance claims in relation to a pipes damage incident which occurred in FYE 2022;
- (iv) Decrease in government subsidies of RM0.2 million in FYE 2023 mainly due to absence of wage subsidies from the Government and government of Singapore as well as lower foreign worker levy rebate received from the government of Singapore; and
- (v) Decrease in rental income from properties of RM0.2 million in FYE 2023 as our Group disposed the properties located in Bandar Baru Permas Jaya and Taman Molek, Johor in December 2022.

The decrease in other income was partially offset by an increase in realised gain on foreign exchange of RM0.1 million in FYE 2023. This was due to the strengthening of the SGD throughout the period.

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**12. FINANCIAL INFORMATION (Cont'd)****(d) Administrative expenses**

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Bank charges	72	1.3	58	0.9	89	0.9
Depreciation <sup>(1)</sup>	1,839	32.6	1,486	22.5	1,657	17.1
Directors' remuneration	1,231	21.8	1,610	24.4	2,151	22.3
Expenses for investment properties <sup>(2)</sup>	172	3.0	73	1.1	39	0.4
Insurance <sup>(3)</sup>	69	1.2	99	1.5	104	1.1
Maintenance <sup>(4)</sup>	149	2.6	269	4.1	259	2.7
Marketing expenses <sup>(5)</sup>	139	2.5	123	1.9	234	2.4
Petrol, toll and parking	20	0.4	34	0.5	37	0.4
Printing and stationery	40	0.7	54	0.8	81	0.8
Professional fee <sup>(6)</sup>	131	2.3	353	5.3	454	4.7
Rental of premises	212	3.8	166	2.5	160	1.7
Staff costs <sup>(7)</sup>	1,216	21.6	1,844	27.9	3,614	37.4
Stamp duty	31	0.5	32	0.5	87	0.9
Travelling expenses	7	0.1	15	0.2	105	1.1
Utilities	110	2.0	112	1.7	121	1.3
Other <sup>(8)</sup>	202	3.6	281	4.2	467	4.8
<b>Total</b>	<b>5,640</b>	<b>100.0</b>	<b>6,609</b>	<b>100.0</b>	<b>9,659</b>	<b>100.0</b>

**Notes:**

- (1) Depreciation includes depreciation of property, plant and equipment, investment properties and right-of-use assets.
- (2) Expenses for investment properties namely properties at Permas Jaya and Taman Molek at Johor Bahru, include insurance, utilities, quit rent and assessment and etc.
- (3) Insurance premium for motor vehicles, properties and key management.
- (4) Maintenance is in relation to the upkeep of computers, motor vehicles, premises and office equipment.
- (5) Marketing expenses include expenses for advertisements, entertainment and sponsorship.
- (6) Professional fees incurred for audit, tax, legal, consultation and secretarial.
- (7) Staff costs includes salaries, bonuses, allowances, overtime costs, statutory contributions, medical expenses and staff welfare.
- (8) Others include mainly expenses incurred for quit rent and assessment (non-investment properties), service tax, subscription fee, freight charges, agent fee, donation, cleaning fee and etc.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**Comparison between FYE 2021 and FYE 2022**

Our Group's administrative expenses increased by RM1.0 million or 17.9% to RM6.6 million in FYE 2022 (FYE 2021: RM5.6 million) mainly attributable to:

- (i) The increase in staff costs of RM0.6 million was mainly due to salary increments and recruitment of 10 new staffs for our office in FYE 2022 (additional 9 staffs for Malaysia operation and 1 staff for Singapore operation) and lower staff costs and staff related expenses in FYE 2021 due to temporary closure of office during the implementation of the MCO;
- (ii) The increase in director's remuneration of RM0.4 million in consideration of our business growth. The increase was mainly due to salary increment for Datuk Dr Ting and Hin Wai Mun as well as appointment of new director, Chong Tuoo Choi, in December 2021; and
- (iii) The increase in professional fee of RM0.2 million was mainly due to higher audit fee, agent fee for disposal of property and permit submission fee related to the renovation of offices and factory.

The above increase was offset by decrease in depreciation expenses of RM0.3 million. This was caused by the disposal of assets held for sale, property, plant and equipment as well as right-of-use assets.

**Comparison between FYE 2022 and FYE 2023**

Our Group's administrative expenses increased by RM3.1 million or 47.0% to RM9.7 million in FYE 2023 (FYE 2022: RM6.6 million) mainly attributable to:

- (i) Increase in staff costs of RM1.8 million mainly due to salary increments and recruitment of 17 new staffs (additional 14 staffs for Malaysia operations and 3 staffs for Singapore operations);
- (ii) Increase in directors' remuneration of RM0.5 million in consideration of our Group's business growth;
- (iii) Increase in other expenses of RM0.2 million mainly due to agent fees and work permit fees incurred for newly recruited foreign workers for Singapore operations and service tax incurred for key management insurance; and
- (iv) Increase in depreciation of RM0.2 million mainly due to the depreciation on renovations for new office, warehouse and dormitory as well as new motor vehicles purchased during FYE 2023.

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**12. FINANCIAL INFORMATION (Cont'd)****(e) Net loss/(gain) on impairment of receivables and contract assets**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
<b>Impairment losses:</b>						
Trade receivables						
- Impairment loss	87	170.6	791	1,551.0	-	-
- Reversal of impairment loss	(36)	(70.6)	(832)	(1,631.4)	(819)	77.0
Contract assets						
- Reversal of impairment loss	-	-	(10)	(19.6)	(245)	23.0
<b>Total</b>	<b>51</b>	<b>100.0</b>	<b>(51)</b>	<b>100.0</b>	<b>(1,064)</b>	<b>100.0</b>

**Comparison between FYE 2021 and FYE 2022**

In FYE 2022, there was an impairment loss on trade receivables of RM0.8 million based on the expected credit loss computation under MFRS 9. The amount of expected credit loss was assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables.

Due to strong collection in FYE 2022, we were able to reverse our impairment loss on financial assets, amounting to RM0.9 million. This has resulted in a net reversal of impairment loss of RM0.05 million.

**Comparison between FYE 2022 and FYE 2023**

In FYE 2023, we reversed the impairment on trade receivables and contract assets of RM1.1 million as the amount impaired were subsequently collected.

**(f) Selling and distribution expenses**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Sales commission	41	13.3	27	9.1	25	6.6
Staff costs	23	7.4	42	14.1	40	10.6
Transportation costs	245	79.3	229	76.8	314	82.8
<b>Total</b>	<b>309</b>	<b>100.0</b>	<b>298</b>	<b>100.0</b>	<b>379</b>	<b>100.0</b>

**Comparison between FYE 2021 and FYE 2022**

Selling and distribution expenses decreased by RM0.01 million or 3.6% mainly attributable to the decrease in transportation costs of RM0.02 million. In FYE 2022, most of our projects were located in Johor Bahru, resulting in lower transportation costs.

**Comparison between FYE 2022 and FYE 2023**

Selling and distribution expenses increased by RM0.1 million or 33.3% mainly attributable to the increase in transportation costs of RM0.1 million. It was in line with the growth in revenue from manufacturing and trading of HDPE pipes segment.

**12. FINANCIAL INFORMATION (Cont'd)****(g) Other operating expenses**

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Assets written off <sup>(1)</sup>	178	76.4	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	242	44.9	71	36.0
Loss on disposal of right-of-use assets	39	16.7	-	-	-	-
Loss on foreign exchange						
- Realised	12	5.2	8	1.5	3	1.5
- Unrealised	4	1.7	-	-	-	-
Property, plant and equipment written off	-	-	289	53.6	123	62.5
<b>Total</b>	<b>233</b>	<b>100.0</b>	<b>539</b>	<b>100.0</b>	<b>197</b>	<b>100.0</b>

**Note:**

- (1) Relates to renovations for investment properties located in Bandar Baru Permas Jaya, Johor. The renovation cost was written off due to change of the tenant's usage on the investment properties from coffee shop to convenience stores.

**Comparison between FYE 2021 and FYE 2022**

Other operating expenses increased by RM0.3 million or 150.0% to RM0.5 million in FYE 2022 (FYE 2021: RM0.2 million) mainly attributable to:

- (i) The increase in property, plant and equipment written off of approximately RM0.3 million. This was because our group terminated our tenancy agreement at Senawang Factory, resulting in the write-off of renovation cost previously incurred; and
- (ii) Increase in loss on disposal of property, plant and equipment i.e. auger boring machine of RM0.2 million (previously acquired from Ecobore Sdn Bhd in FYE 2021 in conjunction with Datuk Dr Ting's departure from the company) which is no longer in use for our operations.

**Comparison between FYE 2022 and FYE 2023**

Other operating expenses decreased by RM0.3 million or 60.0% to RM0.2 million in FYE 2023 (FYE 2022: RM0.5 million) mainly attributable to the decrease in loss on disposal of property, plant and equipment of RM0.2 million and property, plant and equipment written off of RM0.1 million.

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**12. FINANCIAL INFORMATION (Cont'd)****(h) Finance costs**

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Bank overdrafts	56	9.0	19	2.0	44	3.2
Lease liabilities	96	15.5	276	29.0	381	27.5
Guarantee fee <sup>(1)</sup>	36	5.8	56	5.9	76	5.5
Trade financing	202	32.6	299	31.4	588	42.5
Term loans	230	37.1	302	31.7	294	21.3
<b>Total</b>	<b>620</b>	<b>100.0</b>	<b>952</b>	<b>100.0</b>	<b>1,383</b>	<b>100.0</b>

**Note:**

- (1) Being the guarantee fee paid to Syarikat Jaminan Pembiayaan Perniagaan Berhad and Credit Guarantee Corporation Malaysia Berhad for our banking facilities. The said guarantees are both under the Working Capital Guarantee Scheme introduced by the Government, which is established to assist small and medium-sized enterprises to gain access to working capital financing.

**Comparison between FYE 2021 and FYE 2022**

Our Group's finance costs increased by RM0.3 million or 50.0% to RM0.9 million in FYE 2022 (FYE 2021: RM0.6 million). The increase was mainly attributable to the increase in interest on lease liabilities, term loans and trade financing. During FYE 2022, our Group obtained the following banking facilities:

- (i) Term loan of RM1.0 million for working capital; and
- (ii) Hire purchase facilities of RM5.1 million for purchase of new motor vehicles as well as plant and machinery for underground utilities engineering solutions segment and manufacturing and trading of HDPE pipes segment.

**Comparison between FYE 2022 and FYE 2023**

Our Group's finance costs increased by RM0.5 million or 55.6% to RM1.4 million in FYE 2023 (FYE 2022: RM0.9 million). The increase was mainly attributable to the increase in interest on lease liabilities and trade financing. During FYE 2023, our Group obtained the following banking facilities:

- (i) Trade financing of RM5.1 million from several banks for purchase of raw materials, construction materials and payment of subcontractors' fees; and
- (ii) Hire purchase facilities of RM2.5 million for purchase of new motor vehicles, QC testing equipment as well as plant and machinery for underground utilities engineering solutions segment and manufacturing and trading of HDPE pipes segment.

**12. FINANCIAL INFORMATION (Cont'd)****(i) PBT and PAT margin**

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
PBT (RM'000)	9,428	18,565	17,174
PBT margin (%)	18.2	24.8	19.4
PAT (RM'000)	7,367	14,567	14,117
PAT margin (%)	14.2	19.5	15.9

**Comparison between FYE 2021 and FYE 2022**

We recorded an increase in PBT of RM9.1 million or 96.8% to RM18.5 million in FYE 2022 (FYE 2021: RM9.4 million). Such increase was mainly due to higher revenue generated in FYE 2022 which resulted to increase in GP of RM10.5 million. However, this was partially offset by the increase in administrative expenses and finance costs of RM1.0 million and RM0.3 million respectively.

Our PBT margin increased from 18.2% in FYE 2021 to 24.8% in FYE 2022, mainly attributed to the increase in GP margin from 28.2% in FYE 2021 to 33.5% in FYE 2022, as explained in Section 12.2.3(b) above.

Correspondingly, our PAT margin increased from 14.2% in FYE 2021 to 19.5% in FYE 2022, while our PAT increased by RM7.2 million or 97.3% to RM14.6 million in FYE 2022 (FYE 2021: RM7.4 million).

**Comparison between FYE 2022 and FYE 2023**

Our Group's PBT decreased by RM1.4 million or 7.6% to RM17.1 million in FYE 2023 (FYE 2022: RM18.5 million). Although the GP generated from our business increased by RM1.5 million in FYE 2023, the higher administrative expenses and finance costs of RM3.1 million and RM0.5 million respectively had contributed to the decline in PBT.

Our PBT margin decreased from 24.8% in FYE 2022 to 19.4% in FYE 2023. This was attributed to the decrease in GP margin of 3.5% as well as higher administrative expenses and finance costs in FYE 2023 as explained above.

Correspondingly, our Group's PAT margin decreased from 19.5% in FYE 2022 to 15.9% in FYE 2023, while our PAT decreased by RM0.5 million or 3.4% to RM14.1 million in FYE 2023 (FYE 2022: RM14.6 million).

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**12. FINANCIAL INFORMATION (Cont'd)****(j) Tax expense**

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Tax expense (RM'000)	2,061	3,998	3,057
Statutory tax rate (%)			
- Malaysia	(1) 17.0 / 24.0	(2) 17.0 / 24.0	(2) 17.0 / 24.0
- Singapore	17.0	17.0	17.0
Effective tax rate (%)	21.9	21.5	17.8

**Notes:**

- (1) Kum Fatt and PPI qualified for the preferential tax rate of 17.0% on the first chargeable income of RM0.6 million for FYE 2021 as their share capital was below RM2.5 million and annual sales was less than RM50.0 million. For chargeable income in excess of RM0.6 million, the statutory income tax rate of 24.0%, is still applicable.
- (2) PPI qualified for the preferential tax rate of 17.0% on the first chargeable income of RM0.6 million for FYE 2022 and FYE 2023 as its share capital was below RM2.5 million and annual sales was less than RM50.0 million. For chargeable income in excess of RM0.6 million, the statutory income tax rate of 24.0%, is still applicable.

We are subject to income tax at the applicable statutory tax rates in Malaysia and Singapore, where we have foreign subsidiary. We assume responsibility for withholding tax on payments to our service providers who are not residents in the relevant country where the services are rendered. There are no significant restrictions on the remittance of profits, dividend and the return of capital by Konnection to UUE. Please refer to Section 15.4 for further details on the repatriation of capital and remittance of profits.

The effective tax rate for FYE 2021 to 2023 were 21.9%, 21.5% and 17.8% respectively. The effective tax rate for FYE 2021 and FYE 2022 were consistently remained at 21%.

However, the effective tax rate decreased from 21.5% in FYE 2022 to 17.8% in FYE 2023 mainly due to:

- (i) The reversal of impairment loss on trade receivables and contract assets, amounting to RM1.1 million during FYE 2023, which was not subject to tax; and
- (ii) Overprovision of income tax and deferred tax of RM0.2 million and RM0.1 million respectively in previous financial year.

Our effective tax rate for FYE 2021 to 2023 was in the range of Malaysia and Singapore statutory tax rate of 24.0% and 17.0% respectively.

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**12. FINANCIAL INFORMATION (Cont'd)****12.2.4 Review of cash flows****12.2.4.1 Cash flows summary**

The table below sets out the summary of our combined statements of cash flows for FYE 2021 to FYE 2023 and should be read in conjunction with the Accountants' Report as set out in Section 13:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	9,296	5,735	12,080
Net cash (used in)/from investing activities	(3,986)	(1,460)	1,736
Net cash from/(used in) financing activities	1,978	(2,433)	(11,266)
<b>Net increase in cash and cash equivalents</b>	<b>7,288</b>	<b>1,842</b>	<b>2,550</b>
Effect of exchange rate fluctuations on cash and cash equivalents	12	52	510
Cash and cash equivalents at the beginning of financial year	(606)	6,694	8,588
<b>Cash and cash equivalents at the end of financial year</b>	<b>6,694</b>	<b>8,588</b>	<b>11,648</b>

**FYE 2021****Net cash for operating activities**

In FYE 2021, our Group generated operating profit before working capital changes of RM12.9 million. Net cash flow from operating activities was RM9.3 million after taking into account the following working capital changes:

- (a) Increase in contract assets by RM5.9 million mainly due to unbilled progress payments from on-going projects namely HDD work to PPU Ajinomoto and installation of 33kV power cables and cable interlink from PPU SDTV to Sendayan during FYE 2021; and
- (b) Increase in trade and other receivables by RM1.6 million in line with business growth and issuance of billings to customers.

The cash outflow was offset by the increase in trade and other payables of RM4.6 million due to higher progress billings by subcontractors for installation services and supply of materials. These billings were issued in accordance with work required, mainly attributed to the following contracts:

- (a) Installation and supply of HDPE pipes from PPU KPME to PPU Sendayan;
- (b) Installation and supply of HDPE pipes from PPU Sendayan to PPU Ara Sendayan; and
- (c) Installation and supply of HDPE pipes from PMU Enstek to SSU Ajinomoto.

**Net cash for investing activities**

In FYE 2021, our Group recorded net cash outflow for investing activities of RM4.0 million mainly due to:

- (a) Purchase of property, plant and equipment amounted to RM3.8 million primarily comprising plant and machinery (RM2.6 million) which include mainly 1 unit of auger boring machine, 1 unit of HDD machine and 4 units of transmitter, 9 units of motor vehicles (RM0.5 million) and renovation for office (RM0.4 million); and
- (b) Increase in deposits pledged with licensed bank of RM0.5 million for new facilities secured.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for financing activities**

In FYE 2021, our Group recorded net cash inflow for financing activities of RM2.0 million arising from net drawdown of a total of RM8.3 million from term loans and trade financing, which were mainly used for working capital and purchase of raw materials, construction materials and payment of subcontractors' fees.

The cash inflow was offset by the following payments:

- (a) A total of RM1.0 million net repayment of lease liabilities mainly for hire purchase of machinery and equipment, motor vehicles and rental obligations;
- (b) Repayments to directors namely Datuk Dr Ting and Ting Meng Pheng of RM0.9 million for advances from directors for working capital purpose. The said advances from directors were interest-free; and
- (c) Dividend payments of RM3.9 million.

**FYE 2022****Net cash for operating activities**

In FYE 2022, our Group generated operating profit before working capital changes of RM21.8 million. Net cash flow from operating activities was RM5.7 million after taking into account the following working capital changes:

- (a) Increase in trade and other receivables by RM4.8 million due to increase in trade receivable arising from higher progress billing to customers due to increase in works completed towards the end of financial year;
- (b) Increase in contract assets by RM5.2 million mainly in relation to projects from installation of 33kV power cables and cable interlink from PPU Seri Austin to PPU Pelangi Indah and installation of 33kV power cables from PPU Wangsa Idaman to PPU Senai Hi-Tech for which works have been performed but not yet billed as at the end of financial year;
- (c) Increase in inventories by RM1.0 million due to higher purchase of raw materials and construction materials in tandem with our Group's business growth and anticipation of future increase in the price of HDPE resin;
- (d) Decrease in trade and other payables by RM2.1 million due to lesser scope of work by subcontractors in FYE 2022. During this period, most of our Group's subcontractors were primarily engaged in installation services, which resulted in a lower outstanding amount compared to FYE 2021; and
- (e) Net payment of tax expense of RM2.9 million.

**Net cash for investing activities**

In FYE 2022, our Group recorded net cash outflow for investing activities of RM1.5 million mainly due to:

- (a) Purchase of property, plant and equipment amounted to RM4.1 million primarily comprising plant and machinery (RM2.0 million) mainly comprising 3 units of HDD machines, 2 units of winch, 1 unit of air compressor, 1 unit of laser printing machine and 2 units of detectors, capital work-in-progress mainly comprising 1 unit of pipe extrusion machines (RM0.6 million), renovations for own factory and rented offices (RM0.4 million), furniture and fittings (RM0.3 million), office equipment (RM0.3 million)

**12. FINANCIAL INFORMATION (Cont'd)**

- and motor vehicles (RM0.2 million); and
- (b) Increase in deposits pledged with licensed bank of RM0.5 million for new facilities secured.

The cash outflow was however offset by the proceeds from disposal of property, plant and equipment of RM2.0 million, right-of-use assets of RM0.3 million and assets held for sale of RM1.4 million.

**Net cash for financing activities**

In FYE 2022, our Group recorded net cash outflow for financing activities of RM2.4 million mainly being dividends paid of RM5.4 million, as well as the repayment to directors namely Datuk Dr Ting and Ting Meng Pheng amounting to RM0.7 million for the advances from directors for working capital purpose. The said advances from directors were interest-free. Such cash outflow was partially offset by net drawdown of term loan for working capital and trade financing for purchase of raw materials, construction materials and payment of subcontractors' fees, amounting to RM4.5 million.

**FYE 2023****Net cash for operating activities**

In FYE 2023, our Group generated operating profit before working capital changes of RM20.0 million. Net cash flow from operating activities was RM12.1 million after taking into account the following working capital changes:

- (a) Increase in contract assets by RM7.2 million mainly in relation to projects from installation of 33kV power cables at Seremban and HDD works for TNB supply from PPU Pasir Putih to PPU Vance Bioenergy Sdn Bhd for which works have been performed but not yet billed as at the end of financial year;
- (b) Increase in trade and other payables by RM2.9 million mainly due to more progress claims from subcontractors for services undertaken which are pending payment verification by our Group; and
- (c) Payment of tax expense of RM3.8 million.

**Net cash for investing activities**

In FYE 2023, our Group recorded net cash inflow for investing activities of RM1.7 million mainly due to proceeds from disposal of assets held for sale amounting to RM6.5 million.

The cash inflow was offset by the following:

- (a) Purchase of property, plant and equipment of RM2.5 million mainly comprising plant and machinery (comprising 2 units of HDD machines, 1 unit of solar system, 1 unit of utility mapping device, 12 units of rock reamers, 3 units of transmitter and 1 unit of air compressor of RM1.1 million), renovations for own factory and rented office (RM0.9 million) and furniture and fittings (RM0.3 million); and
- (b) Increase in deposits pledged with licensed banks of RM2.4 million with RM2.0 million for existing facilities and RM0.4 million for new facilities secured.

**Net cash for financing activities**

In FYE 2023, our Group recorded net cash outflow for financing activities of RM11.3 million mainly due to dividend payment of RM3.8 million, repayment to director of RM1.6 million, repayment of bank borrowings of RM3.5 million and repayment of lease liabilities of RM2.7 million. The proceeds from new issue of shares in PPI amounting to RM1.4 million partially offsetted the cash outflow for financing activities.

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## **12. FINANCIAL INFORMATION (Cont'd)**

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### **12.3 LIQUIDITY AND CAPITAL RESOURCES**

#### **12.3.1 Working capital**

Our business is financed by a combination of credit extended by trade payables, internal and external sources of funds. Our internal sources of funds are shareholders' equity and cash generated from operations while our external sources of funds comprise lease liabilities, term loans, bank overdrafts and trade financing. The principal usage of these funds are for working capital purposes and purchases of plant and machinery, properties and motor vehicles.

We monitor our working capital to ensure that our financial obligations can be met when due, by, inter alia:

- (a) Ensuring healthy bank balances and cash for payment of our short-term working capital needs;
- (b) Monitoring our trade receivables and the aging monthly, and following up closely to ensure timely collection (we have dedicated finance department to work closely with our project team, to assess and prepare the works to be submitted to our customers in our progress claims);
- (c) Monitoring our trade payables and the aging monthly, to ensure that payments to our suppliers and subcontractors are made on a planned basis; and
- (d) Monitoring our borrowing repayments.

Based on our audited combined statements of financial position as at 28 February 2023, our cash and bank balances amounted to RM11.8 million (excluding restricted cash and pledged fixed deposits with financial institutions), and total borrowings and lease liabilities were RM23.4 million (excluding lease liabilities arising from lease of premises). As at 28 February 2023, our gearing ratio was 0.5 times and current ratio was 2.5 times.

Our Board is confident, after taking into consideration the following and above statement as well as the potential dividend distribution of up to RM3.0 million, that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

- (a) Cash and bank balances as at LPD of approximately RM12.6 million (excluding restricted cash and pledged fixed deposits with financial institutions);
- (b) Our banking facilities as at LPD up to a total limit of RM57.6 million, of which RM30.5 million has been utilised;
- (c) Our additional billing from ongoing and newly completed contracts issued from 28 February 2023 up to LPD of RM29.7 million; and
- (d) The proceeds expected to be raised from our Public Issue.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance and accounting team work closely with our project team for the collection of outstanding balances on a monthly basis.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.4 BORROWINGS AND INDEBTEDNESS

We utilise banking facilities such as bankers' acceptance, invoice financing, import financing and promissory note to finance purchases of raw materials, construction materials and payment for subcontractor fees while term loans are used to finance the acquisition of factory building, plant and machinery, key management insurance and working capital. Bank overdrafts are used to finance working capital. Lease liabilities are used to finance the purchase of plant and machinery, QC testing equipment and motor vehicles.

Our total outstanding borrowings and lease liabilities as at 28 February 2023 stood at RM23.4 million (excluding lease liabilities arising from lease of premises), details of which are set out below:

	Purpose	Number of borrowing/facility/indebtedness	Tenure of facility	Security	Effective interest rate	As at 28 February 2023	
						%	RM'000
<b>Current Malaysia</b>	Bankers' acceptance	4	120 days	(a) Fixed deposits with licensed financial institutions;  (b) Joint and several guarantee of the Directors <sup>(3)</sup> ; and  (c) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad <sup>(6)</sup>	4.6 to 5.9	3,708	-
	Invoice financing	2	120 days	(a) Fixed deposits with licensed financial institutions;  (b) Joint and several guarantee of the Directors <sup>(3)</sup> ; and  (c) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad <sup>(6)</sup>	5.6 to 7.2	1,732	-

**12. FINANCIAL INFORMATION (Cont'd)**

	<b>Purpose</b>	<b>Number of borrowing/ facility/ indebtedness</b>	<b>Tenure of facility</b>	<b>Security</b>	<b>Effective interest rate</b>	<b>As at 28 February 2023</b>	
					<b>%</b>	<b>RM'000</b>	<b>SGD'000</b>
Import financing	Finance the purchase of raw materials, construction materials and payment of subcontractors' fees	2	120 days	(a) Fixed deposits with licensed financial institutions;  (b) Joint and several guarantee of the Directors <sup>(3)</sup> ; and  (c) Guarantee from Government of Malaysia under Working Capital Guarantee Scheme <sup>(6)</sup>	4.5 to 5.7	3,970	-
Promissory note	Finance the purchase of construction materials and payment of subcontractors' fees	1	120 days	(a) Fixed deposits with licensed financial institutions; and  (b) Joint and several guarantee of the Directors <sup>(3)</sup>	7.9	1,317	-
Bank overdrafts	Working capital	1	-	(a) Joint and several guarantee of the Directors <sup>(3)</sup> ; and  (b) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad <sup>(6)</sup>	7.0	195	-
Term loans	Finance the purchase of factory building <sup>(5)</sup> , plant and machinery, key management insurance and working capital	8	3 to 15 years	(a) Legal charge over a freehold land and building;  (b) Joint and several guarantee of the Directors <sup>(3)</sup> ; and	3.5 to 5.0	917	-

**12. FINANCIAL INFORMATION (Cont'd)**

		Purpose	Number of borrowing/ facility/ indebtedness	Tenure of facility	Security	Effective interest rate %	As at 28 February 2023	
							RM'000	SGD'000
					(c) Guarantee from Credit Guarantee Corporation Malaysia Berhad and Syarikat Jaminan Pembiayaan Perniagaan Berhad <sup>(6)</sup>			
	Lease liabilities	Finance the purchase of plant and machinery, QC testing equipment and motor vehicles	24	3 to 5 years	(a) Plant and machinery, QC testing equipment and motor vehicles; and  (b) Lease liabilities are secured by joint and several guarantee of the Directors <sup>(3)</sup>	3.9 to 7.0	1,179	-
Singapore	Term loans	Working capital	2	3 to 5 years	Joint and several guarantee of the Directors <sup>(3)</sup>	2.5	<sup>(4)</sup> 970	292
	Lease liabilities	Finance the purchase of plant and machinery and motor vehicles	17	3 to 7 years	(a) Plant and machinery and motor vehicles; and  (b) Lease liabilities are secured by joint and several guarantee of the Directors <sup>(3)</sup>	3.4 to 7.6	<sup>(4)</sup> 915	275
<b>Total current borrowings</b>							<b>14,903</b>	<b>567</b>

**12. FINANCIAL INFORMATION (Cont'd)**

		<b>Purpose</b>	<b>Number of borrowing/ facility/ indebtedness</b>	<b>Tenure of facility</b>	<b>Security</b>	<b>Effective interest rate %</b>	<b>As at 28 February 2023</b>	
							<b>RM'000</b>	<b>SGD'000</b>
<b>Non-current</b>								
Malaysia	Term loans	Finance the purchase of factory building <sup>(5)</sup> , plant and machinery, key management insurance and working capital	8	3 to 15 years	(a) Legal charge over a freehold land and building;  (b) Joint and several guarantee of the Directors <sup>(3)</sup> ; and  (c) Guarantee from Credit Guarantee Corporation Malaysia Berhad and Syarikat Jaminan Pembiayaan Perniagaan Berhad <sup>(6)</sup>	3.5 to 5.0	3,428	-
	Lease liabilities	Finance the purchase of plant and machinery, QC testing equipment and motor vehicles	24	3 to 5 years	(a) Plant and machinery, QC testing equipment and motor vehicles; and  (b) Lease liabilities are secured by joint and several guarantee of the Directors <sup>(3)</sup>	3.9 to 7.0	2,444	-



**12. FINANCIAL INFORMATION (Cont'd)**

		<b>Purpose</b>	<b>Number of borrowing/ facility/ indebtedness</b>	<b>Tenure of facility</b>	<b>Security</b>	<b>Effective interest rate</b>	<b>As at 28 February 2023</b>	
						<b>%</b>	<b>RM'000</b>	<b>SGD'000</b>
Singapore	Term loans	Working capital	2	3 to 5 years	Joint and several guarantee of the Directors <sup>(3)</sup>	2.5	<sup>(4)</sup> 761	229
	Lease liabilities	Finance the purchase of plant and machinery and motor vehicles	17	3 to 7 years	(a) Plant and machinery and motor vehicles; and  (b) Lease liabilities are secured by joint and several guarantee of the Directors <sup>(3)</sup>	3.4 to 7.6	<sup>(4)</sup> 1,845	554
<b>Total non-current borrowings</b>							<b>8,478</b>	<b>783</b>
<b>Total borrowings</b>							<b>23,381</b>	<b>1,350</b>

**Gearing (times)**After the Acquisitions but before Public Issue and utilisation of proceeds<sup>(1)</sup>After Public Issue and utilisation of proceeds<sup>(2)</sup>**0.5****[•]****Notes:**

- (1) Computed based on our pro forma total equity of RM48.5 million in the pro forma combined statements of financial position after the Acquisitions but before Public Issue and utilisation of proceeds.
- (2) Computed based on our pro forma total equity of RM[•] million in the pro forma combined statements of financial position after Public Issue and utilisation of proceeds.
- (3) Personal guarantee by directors will be converted to corporate guarantee by UUE upon successful listing. Please refer to Section 10.2.2(b) for further details.

## 12. FINANCIAL INFORMATION (Cont'd)

- (4) Being the RM equivalent of these borrowings, which are denominated in SGD as the case may be.
- (5) Relates to the purchase of our factory building located at Ulu Tiram, Johor. Please refer to Section 6.9.1 for further details on the factory building.
- (6) Relates to the Working Capital Guarantee Scheme introduced by the Government to assist small and medium-sized enterprises to gain access to working capital financing.

The maturity profile of our total outstanding borrowings as at 28 February 2023 is as follows:

	<b>RM'000</b>
Within 1 year	14,903
1 to 5 years	7,464
More than 5 years	1,014
<b>Total</b>	<b>23,381</b>

Separately, we have also recognised the following lease liabilities:

	Purpose	Tenure	As at 28 February 2023		
			RM'000	SGD'000	
Malaysia	Lease liabilities payable within 1 year	Rental for offices, training centre, warehouse and dormitory <sup>(2)</sup>	10 years	195	-
Singapore	Lease liabilities payable within 1 year	Rental for office and workers' accommodations <sup>(3)</sup>	2 years	<sup>(1)</sup> 301	90
Malaysia	Lease liabilities payable more than 1 year	Rental for offices, training centre, warehouse and dormitory <sup>(2)</sup>	10 years	1,968	-
Singapore	Lease liabilities payable more than 1 year	Rental for office and workers' accommodations <sup>(3)</sup>	2 years	<sup>(1)</sup> 86	26
		<b>Total</b>		<b>2,550</b>	<b>116</b>

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**12. FINANCIAL INFORMATION (Cont'd)**

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**Notes:**

- (1) Being the RM equivalent of these lease liabilities, which are denominated in SGD as the case may be.
- (2) Being the rented offices, training centre, warehouse and dormitory located at:
- (i) 55, Jalan Teratai 7, Taman Johor Jaya, 81100 Johor Bahru, Johor;
  - (ii) 57, Jalan Teratai 7, Taman Johor Jaya, 81100 Johor Bahru, Johor;
  - (iii) 69, Jalan Teratai 7, Taman Johor Jaya, 81100 Johor Bahru, Johor;
  - (iv) 3, Jalan Istimewa 4, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor; and
  - (v) 1, Jalan Istimewa 4, Taman Perindustrian Desa Cemerlang, 81800 Ulu Tiram, Johor.
- (3) Being the rented office and workers' accommodations located at:
- (i) 8B Admiralty Street #07-07 Singapore 757440;
  - (ii) Block 682A Woodlands Drive 62 #06-87 Singapore 731682;
  - (iii) Block 123 Teck Whye Lane #08-852 Singapore 680123; and
  - (iv) Block 630 Senja Road #19-218, Singapore 670630.

**12. FINANCIAL INFORMATION (Cont'd)**

We also rely on bank guarantees for performance bonds issued to our customer for project where we are the main contractor. Such bank guarantees are renewed annually from the start of the project up to completion including defect liability period. Our total bank guarantees as at 28 February 2023 stood at RM0.5 million, details as set out below. All our bank guarantees are secured, interest-bearing and denominated in RM:

	<u>Purpose</u>	<u>Security</u>	<u>Tenure</u>	<u>Bank charges</u> <u>% per month</u>	<u>As at 28 February</u> <u>2023</u> <u>RM'000</u>
Bank guarantee	As performance bond in favour of our customer approved by the bank in relation to the contract	(i) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad; (ii) Personal guarantee by Directors; and (iii) Fixed deposit with licensed financial institution	1 year	0.125%, subject to a minimum sum of RM100	500

The liabilities in respect of the bank guarantees will only crystallise and become payable following a call by our customers. During FYE 2021 to 2023, we did not experience any call on the bonds issued to our customers.

As at LPD, we do not have any borrowings which are non-interest bearing.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2021 to 2023 and up to LPD.

As at LPD, our Group is not 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 2021 to 2023, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

In conjunction with our Listing, we have applied to the financiers to release and/or discharge all the personal guarantees extended by our Promoters and substantial shareholders, Datuk Dr Ting, Hin Wai Mun and Chong Tuoo Choi, substantial shareholder and/or non-executive director of Kum Fatt, Ting Meng Pheng and Dato' Tan Sui Hou to our financiers in respect of our banking facilities. We have obtained conditional release and/or discharge of the said personal guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. The release and/or discharge is subject to, amongst others, the successful completion of our Listing. Until such release and/or discharge are obtained from the respective financiers, our Promoters and substantial shareholders, Datuk Dr Ting, Hin Wai Mun and Chong Tuoo Choi, substantial shareholder and/or non-executive director of Kum Fatt, Ting Meng Pheng and Dato' Tan Sui Hou will continue to guarantee the banking facilities extended to our Group.

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**12. FINANCIAL INFORMATION (Cont'd)**

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**12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

Save as disclosed in Section 12.4, we do not have or utilise any other financial instruments or have any other treasury policies. All our banking facilities are used for our business such as working capital, purchase of raw materials, construction materials, payment for subcontractor fees and purchase of property, plant and equipment. As at 28 February 2023, save for our lease liabilities and certain term loans which are based on fixed rates, all our other facilities with licensed financial institutions are based on base lending rate/cost of fund plus or minus a rate which varies depending on the type of facility. As at 28 February 2023, the outstanding fixed rate term loans amounted to RM3.7 million.

**12.6 MATERIAL CAPITAL COMMITMENTS**

Save for the purchase of machinery and equipment as disclosed in Section 4.9.1(a) which are approved but not contracted for, our Group does not have any material capital commitment as at LPD.

**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES****12.7.1 Material litigation**

As at LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which may have or have had in the 12 months immediately preceding the date of this Prospectus a material effect on our financial position or profitability, and there are also no proceedings pending or threatened, or any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

**12.7.2 Contingent liabilities**

As at LPD, save for the bank guarantees as disclosed in Section 12.4, 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 and financial position.

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**12. FINANCIAL INFORMATION (Cont'd)****12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2021 to 2023 are as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Trade receivables turnover (days) <sup>(1)</sup>	97	81	77
Trade payables turnover (days) <sup>(2)</sup>	35	34	30
Inventory turnover (days) <sup>(3)</sup>	51	49	49
Current ratio (times) <sup>(4)</sup>	1.8	2.2	2.5
Gearing ratio (times) <sup>(5)</sup>	0.6	0.6	0.5

**Notes:**

- (1) Computed based on average trade receivables as at financial year-end over revenue for the respective financial years, multiplied by 365 days for each financial year.
- (2) Computed based on average trade payables as at financial year-end over cost of sales for the respective financial years, multiplied by 365 days for each financial year.
- (3) Computed based on average inventories as at financial year-end over total purchases for the respective financial years, multiplied by 365 days for each financial year.
- (4) Computed based on current assets over current liabilities as at the end of the respective financial years.
- (5) Computed based on total interest-bearing borrowings and lease liabilities (excluding lease liabilities arising from lease of premises) over total equity as at the end of the respective financial years.

**12.8.1 Trade receivables turnover**

Our average trade receivables turnover days for FYE 2021 to 2023 are set out as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables	13,036	14,486	18,937
Closing trade receivables	14,486	18,937	18,567
Average trade receivables	13,761	16,712	18,752
Revenue	51,706	74,886	88,662
Trade receivables turnover (days)	97	81	77

The normal trade credit terms granted by our Group to the customers ranges from 30 to 150 days from the date of invoice. Our Group has in place a credit procedure to monitor and minimise the exposure of default. Other credit terms are assessed and approved on a case-by-case basis. Our Group's credit terms to customers are assessed and approved on individual customer basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, quantum of amount owing as well as the reason for the customers' inability to pay within the normal credit period. Our Group uses ageing analysis to monitor the credit quality of our trade receivables.

**12. FINANCIAL INFORMATION (Cont'd)**

The trade receivables turnover days for FYE 2021 to 2023 are within our Group's credit terms period granted by our Group to the customers. Despite of the growth in our revenue throughout FYE 2021 to 2023, our Group has closely monitored the collections from the customers on a monthly basis. Our Group's trade receivables turnover days have gradually improved year-on-year from 97 days to 81 days to 77 days in FYE 2021, FYE 2022 and FYE 2023 respectively.

Although our average balances for trade receivables have increased by RM2.9 million from FYE 2021 to FYE 2022, the turnover days unaffected. This can be attributed to the increase in our Group's revenue, which amounted to RM23.2 million in FYE 2022. Therefore, our Group's trade receivables turnover days has improved from 97 days to 81 days in FYE 2021 and 2022 respectively.

In FYE 2023, our Group's trade receivables turnover days further improved to 77 days due to better collection of receivables during the year including reversal of impairment loss on trade receivables amounting to RM0.8 million.

The ageing analysis of our trade receivables as at 28 February 2023 is as follows:

	Trade receivables as at 28 February 2023		Collection from 1 March 2023 up to LPD	Balance as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Neither past due nor impaired	(1)9,531	68.6	9,103	428
Past due but not impaired:				
- less than 30 days	1,446	10.4	1,293	153
- 31 to 60 days	2,311	16.7	2,283	28
- 61 to 90 days	174	1.3	174	-
- over 90 days	422	3.0	364	58
	4,353	31.4	4,114	239
<b>Total</b>	<b>13,884</b>	<b>100.0</b>	<b>13,217</b>	<b>667</b>

**Note:**

(1) Excluding retention sum amounting to approximately RM4.7 million as the amount is only due within 12 months from the completion date.

As at LPD, RM13.2 million or 95.0% of our total trade receivables as at 28 February 2023 has been collected. As at LPD, the remaining RM0.7 million or 5.0% of our total trade receivables as at 28 February 2023 is still outstanding.

Trade receivables past due but not impaired amounting to RM0.2 million is mainly from a customer, namely TZS Cable Technologies Sdn Bhd. We have continued to receive partial payments from those customers and we are confident that the amount due are collectible.

Our Group has not encountered any major disputes with our trade debtors and majority of their receivables as at 28 February 2023 were within the normal credit period. Hence, our Board is of the opinion that the remaining outstanding trade receivables are recoverable and will monitor closely the recoverability of the said receivables on a regular basis, and when required, provide for impairment of these receivables.

**12. FINANCIAL INFORMATION (Cont'd)****12.8.2 Trade payables turnover**

Our average trade payables turnover days for FYE 2021 to 2023 is stated as below:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payables	1,461	5,694	3,579
Closing trade payables	5,694	3,579	6,518
Average trade payables	3,578	4,637	5,049
Cost of sales	37,131	49,833	62,053
Trade payables turnover (days)	35	34	30

The normal trade credit terms granted to our Group by the suppliers ranges from 30 to 90 days depending on the suppliers and subcontractors as well as the type of supplies or services procured. To maintain good relationship with our suppliers and subcontractors, our Group generally pays the suppliers and subcontractors as their amounts fall due.

Our Group's trade payables turnover days for FYE 2021 to 2022 were fairly consistent at 35 days and 34 days respectively, which were within the credit terms granted by the suppliers and subcontractors.

In FYE 2023, our Group's trade payables turnover days decreased to 30 days. In line with faster collection of trade receivables, our Group had similarly also paid the trade payables faster.

The ageing analysis of our trade payables as at 28 February 2023 is as follows:

	<b>Trade payables as at 28 February 2023</b>		<b>Settlement from 1 March 2023 to LPD</b>	<b>Balance as at LPD</b>
	<b>RM'000</b>	<b>Percentage of trade payables (a)/total of (a)</b>	<b>RM'000</b>	<b>RM'000</b>
	<b>(a)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a)-(b)</b>
Within credit period	4,776 <sup>(1)</sup>	94.9	4,378	398
Exceeding credit period:				
- 1 to 30 days	254	5.1	240	14
	254	5.1	240	14
	<b>5,030</b>	<b>100.0</b>	<b>4,618</b>	<b>412</b>

**Note:**

<sup>(1)</sup> Excluding retention sum amounting to approximately RM1.5 million as the amount is only due within 12 months from the completion date.

As at LPD, we have settled the outstanding trade payables of RM4.6 million, representing 92.0% of our trade payables as at 28 February 2023.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.



**12. FINANCIAL INFORMATION (Cont'd)****12.8.3 Inventory turnover**

Our inventories comprise raw materials and construction materials. Our average inventory turnover days for FYE 2021 to 2023 is stated as below:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening inventories	1,552	1,573	2,577
Closing inventories	1,573	2,577	2,430
Average inventories	1,563	2,075	2,504
Total purchases	11,102	15,510	18,696
Inventories turnover (days)	51	49	49

It is our Group's general practice to maintain adequate level of materials to reduce the risk of disruption to ensure timely delivery of our projects.

Our Group's inventory turnover days were 51 days for FYE 2021 and reduced to 49 days for both FYE 2022 and 2023. The higher inventory turnover days for FYE 2021 was mainly due to COVID-19, where our Group's projects were temporarily disrupted by the implementation of MCO in Malaysia and Circuit Breaker in Singapore. Coupled with the extension of the Group's weekly operations (Line 1's operations) this caused higher inventory turnover days.

**12.8.4 Current ratio**

Our current ratio throughout FYE 2021 to 2023 is as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	35,526	49,040	63,823
Current liabilities	19,426	21,967	25,218
<b>Net current assets</b>	<b>16,100</b>	<b>27,073</b>	<b>38,605</b>
Current ratio (times)	1.8	2.2	2.5

Our Group's current ratio ranges from 1.8 times to 2.5 times for FYE 2021 to 2023. This indicates that our Group is capable of meeting short-term obligations as our current assets such as inventory and trade receivables are readily converted to cash, and together with our cash in bank, are enough to meet the current liabilities.

Our Group's current ratio increased from 1.8 times in FYE 2021 to 2.2 times in FYE 2022 due to the increase in contract assets and trade receivables in line with business growth. The increase in current ratio for FYE 2023 was mainly due to increase in contract assets and cash and bank balances in line with business growth.

**12. FINANCIAL INFORMATION (Cont'd)****12.8.5 Gearing ratio**

Our gearing ratio throughout FYE 2021 to 2023 is as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	16,069	20,740	23,381
Total equity	26,313	35,765	48,506
Gearing ratio (times)	0.6	0.6	0.5

**Note:**

- <sup>(1)</sup> Computed based on total interest-bearing borrowings and lease liabilities (excluding lease liabilities arising from lease of premises) over total equity as at the end of the respective financial years.

Our Group's gearing ratio remained stable at 0.6 times for FYE 2021 and FYE 2022. Gearing ratio decreased slightly to 0.5 times in FYE 2023, mainly due to increase in total equity as a result of profits generated in FYE 2023.

**12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during FYE 2021 to 2023.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

**12.10 IMPACT OF INFLATION**

During FYE 2021 to 2023, 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. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we were unable to pass on the higher costs to our customers through an increase in selling prices.

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**12. FINANCIAL INFORMATION (Cont'd)****12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS****(a) Impact of foreign exchange rates**

Our proportion of sales denominated in local and foreign currencies are as follows:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Sales denominated in:						
RM	43,249	83.6	57,278	76.5	65,774	74.2
SGD	8,457	16.4	17,608	23.5	22,888	25.8
<b>Total sales</b>	<b>51,706</b>	<b>100.0</b>	<b>74,886</b>	<b>100.0</b>	<b>88,662</b>	<b>100.0</b>

We are exposed to transactional currency exposure as 16.4%, 23.5% and 25.8% of our total revenue were denominated in foreign currencies for FYE 2021, 2022 and 2023 respectively.

Any significant change in foreign exchange rates may affect our financial performance.

Our Group's gain or loss from foreign exchange fluctuations for FYE 2021 to 2023 are as follows:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Gain on foreign exchange	2	37	142
Loss on foreign exchange	(16)	(8)	(3)
<b>Net (loss)/gain</b>	<b>(14)</b>	<b>29</b>	<b>139</b>

Based on the table above, our Group has not been materially impacted by the foreign exchange fluctuations.

Impact of foreign exchange rates to our Group as at 28 February 2023 is as follows:

	<b>RM'000 equivalent of balances denominated in SGD</b>
<b>Financial assets</b>	
Trade and other receivables, net of prepayments	7,217
Cash and bank balances	8,597
<b>Financial liabilities</b>	
Trade and other payables	839
Borrowings	1,731
Lease liabilities	3,147

Based on the table above:

- (i) Our foreign currency cash and bank balances represent 56.2% of our total cash and bank balances of RM15.3 million as at 28 February 2023;
- (ii) Our foreign currency trade and other receivables represent 32.7% of our total trade and other receivables of RM22.0 million as at 28 February 2023;

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**12. FINANCIAL INFORMATION (Cont'd)**

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- (iii) Our foreign currency trade and other payables represent 9.8% of our total trade and other payables of RM8.2 million as at 28 February 2023;
- (iv) Our foreign currency borrowings represent 10.0% of our total borrowings of RM17.0 million as at 28 February 2023; and
- (v) Our foreign currency lease liabilities represent 34.8% of our total lease liabilities of RM8.9 million as at 28 February 2023.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 28 February 2023 indicates that our PAT for FYE 2023 would increase or decrease by approximately RM0.4 million, as a result of a 5% strengthening or weakening of RM against SGD.

**(b) Impact of interest rates**

Our exposure to changes in interest rate risk relates primarily to our bank borrowings.

A sensitivity analysis performed on our Group based on the outstanding floating rate of our bank borrowings as at 28 February 2023 indicates that our PAT for FYE 2023 would decrease or increase by approximately RM0.1 million, as a result of increase or decrease in interest rates by 100 basis points on these borrowings.

Our financial results for FYE 2021 to 2023 were not materially affected by fluctuations in interest rates.

**(c) Impact of commodity prices**

Our direct materials mainly consist of raw materials and construction materials such as HDPE resin, masterbatches, HDPE pipes, cables and accessories. These materials are widely available in Malaysia and from a large base of suppliers.

Our financial performance was not materially affected by fluctuations in commodity prices for FYE 2021 to 2023. Our strategy to provide sufficient buffer in our budgeted project cost which allows better planning for potential cost overruns that may arise due to increase price of raw materials. The buffers in our budgeted project cost had been sufficient to contain price fluctuations wherever possible, to minimise the impact on financial performance.

**12.12 SIGNIFICANT CHANGES**

There are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FYE 2023 and up to LPD.

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**12. FINANCIAL INFORMATION (Cont'd)****12.13 ORDER BOOK**

Our Group generates revenue based on LOAs issued to us (if applicable) followed by subsequent contracts executed or purchase orders awarded. Our Group's unbilled order book as at LPD is as follows:

<u>Geographical market</u>	<u>As at LPD</u>
	<u>RM'000</u>
Malaysia	209,658
Singapore	11,180
	<u><b>220,838</b></u>

Our Group's unbilled order book as at LPD is expected to be realised over the next 3 financial years. As at LPD, our Group has participated in requests for quotations for various projects in both Malaysia and Singapore. These projects, if awarded to our Group, will further increase our order book.

**12.14 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE**

Our Board is of the opinion that:

- (a) Our Group's revenue will remain sustainable with an upward growth trend, in line with positive outlook of the electricity supply industry as set out in the IMR Report in Section 8;
- (b) Our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our future plans business strategies as stated in Section 7.18; and
- (c) Our capital resources will strengthen, considering the proceeds to be raised from the Public Issue as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

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 margins 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 2021 to 2023, the following trends may continue to affect our business:

- (a) During FYE 2021 to 2023, an average 89.4% of our revenue was derived from underground utilities engineering solutions. We expect these services to continue contributing significantly to our revenue of our Group in the future;
- (b) During FYE 2021 to 2023, the main components of our cost of sales were subcontractors' fees and construction materials which constituted average of 74.0% of total cost of sale. We expect this trend to continue; and
- (c) Our Group achieved a GP margin of 28.2%, 33.5% and 30.0% for FYE 2021 to 2023, respectively. We hope to maintain our GP margin within the same range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently and our geographical revenue segmentation in the future as we derive higher GP margin from revenue generated in Singapore.

**12. FINANCIAL INFORMATION (Cont'd)**

As at LPD, after all reasonable enquiries, our Board confirms that our operations have not been and will not be affected by any of the following:

- (a) 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, as well as liquidity and capital resources other than those discussed in Sections 7.11, 12.2.2, 12.2.3, 12.9, 12.10 and 12.11;
- (b) Material commitments for capital expenditure save as disclosed in Section 12.6;
- (c) 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 7.11, 12.2.2, 12.2.3, 12.9, 12.10 and 12.11;
- (d) 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 7.11, 12.2.2, 12.2.3, 12.9, 12.10 and 12.11; and
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.11, 12.2.2, 12.2.3, 12.9, 12.10 and 12.11.

Based on the above, our Board is optimistic about the future prospects of our Group given the long term positive outlook of the electricity supply industry in Malaysia and Singapore as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.17 and our Group's intention to implement the business strategies as set out in Section 7.18.

**12.16 DIVIDEND POLICY**

Our Group presently does not have any formal dividend payout under its dividend policy. The declaration of dividends and other distributions are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

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 subsidiaries 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.

**12. FINANCIAL INFORMATION (Cont'd)**

During FYE 2021 to 2023 and up to LPD, we declared and paid the following dividends:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>1 March 2023 up to LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend(s) declared and paid	3,906	5,371	3,839	-

The dividends declared and paid in FYE 2021 to 2023 were funded via internally generated profit. Our Group intends to declare and pay a dividend of up to RM3.0 million prior to the Listing which will be funded via internally generated profit.

Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to approval of our shareholders at our AGM.

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

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

- (a) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;
- (b) our operating cash flow requirements and financing commitments;
- (c) our expected and actual financial performance including return on equity and retained earnings;
- (d) any restrictive covenants contained in our current and future financing arrangements;
- (e) the availability of adequate reserves and cash flows; and
- (f) any material impact of tax laws and regulatory requirements.

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**12. FINANCIAL INFORMATION (Cont'd)****12.17 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (a) Based on latest unaudited combined financial information of our Group as at 31 July 2023; and
- (b) After adjusting for the effects of Acquisitions, the Public Issue and utilisation of proceeds.

	<b>Unaudited</b>	<b>I</b>	<b>II</b>	<b>III</b>
	<b>As at 31 July 2023</b>	<b>After Acquisitions</b>	<b>After I and Public Issue</b>	<b>After II and utilisation of proceeds</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Capitalisation</b>				
Share capital	3,908	48,339	[•]	[•]
<b>Total capitalisation</b>	<b>3,908</b>	<b>48,339</b>	<b>[•]</b>	<b>[•]</b>
<b>Indebtedness</b>				
<b>Current</b>				
<i>Secured and guaranteed</i>				
Term loans	933	933	933	933
Trade financing	17,711	17,711	17,711	17,711
Bank overdrafts	2,945	2,945	2,945	2,945
Lease liabilities owing to financial institutions	1,675	1,675	1,675	1,675
<i>Unsecured and unguaranteed</i>				
Lease liabilities owing to non-financial institutions	487	487	487	487
<b>Non-current</b>				
<i>Secured and guaranteed</i>				
Term loans	3,043	3,043	3,043	3,043
Lease liabilities owing to financial institutions	3,627	3,627	3,627	3,627
<i>Unsecured and unguaranteed</i>				
Lease liabilities owing to non-financial institutions	1,917	1,917	1,917	1,917
<b>Total indebtedness</b>	<b>32,338</b>	<b>32,338</b>	<b>32,338</b>	<b>32,338</b>
<b>Total capitalisation and indebtedness</b>	<b>36,246</b>	<b>80,677</b>	<b>[•]</b>	<b>[•]</b>
Debt-to-capital ratio (times)	8.3	0.7	[•]	[•]