

6. INFORMATION ON OUR GROUP (Cont'd)

(iv) Installation of Group I medical equipment

The scope of work also includes the procurement and installation of Group I medical equipment including the following:-

- medical gas pendants and bedhead
- mortuary refrigeration equipment
- steriliser equipment
- dental chairs and x-ray
- mobile x-ray and x-ray viewer
- orthopantomography unit
- reverse osmosis plant and deioniser
- operating theatre tables, lights, panels
- examination lights
- medical imaging equipment
- computer radiography
- Computerised tomography (CT) scan equipment
- drug cabinets
- lab safety cabinets

We are responsible for the procurement of Group I medical equipment and the installation works will be undertaken by our subcontractors specialised in medical equipment in accordance with the design. The installation of Group I medical equipment will need to be integrated with the supporting mechanical, electrical, communications, plumbing and medical gas systems.

Some of the Group I medical equipment in the Kajang Women and Children Hospital Project are illustrated in the following photos:-



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6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2.4 Type of building construction

(i) Non-residential building construction

Our construction of non-residential buildings represented our major revenue segment contribution, which accounted for 71.62%, 77.79%, 66.14% and 40.54% of our total revenue for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively.

Since the commencement of our business operations, we have undertaken construction of the following types of non-residential buildings:-

- Mixed-use commercial building comprising various types of buildings such as serviced apartments, SoHo, podium with retail or commercial space, as well as other facilities such as car park, swimming pools and others.

The following are some of the mixed-use commercial building construction projects that we have undertaken since the commencement of our operations:-

Project Name	Serviced apartment	Retail space	Office space	SoHo
SetiaWalk Project		✓	✓	✓
RUMAWIP SkyAwani Residence Project	✓	✓	✓	
Geo Bukit Rimau Project	✓	✓		
Nadayu 63 Project	✓	✓		

Mixed-use commercial building construction projects that we have undertaken are illustrated in the following photos:-

SetiaWalk Project



6. INFORMATION ON OUR GROUP (Cont'd)

Geo Bukit Rimau Project



RUMAWIP SkyAwani Residence Project



Nadayu 63 Project



- Serviced apartments namely Setia Sky Residences (Celeste Tower) Project and Setia Sky Residences (Divina Tower) Project.

Setia Sky Residences (Celeste Tower and Divina Tower) Projects



6. INFORMATION ON OUR GROUP (Cont'd)

- Office building including Top Glove Tower Project and Menara TCM Project.

Menara TCM Project



Top Glove Tower Project



- Hypermarkets including Mydin Hypermarket Project and Tesco Hypermarket Project.

Mydin Hypermarket Project



Tesco Hypermarket Project



- Institutional buildings such as an international school.

Tropicana International School Project



6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Residential building construction

Our construction of residential buildings accounted for 28.33%, 21.74%, 28.44% and 39.95% of our total revenue for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively.

We are mainly involved in the construction of high-rise residential buildings including affordable apartments and condominiums. Some of the residential building construction projects that we have carried out since the commencement of our business operations include the following:-

- Apartments including Mentari Court Project, Idaman Residence Project and PPAM Sofiya Residensi Project.

Mentari Court Project



PPAM Sofiya Residensi Project



Idaman Residence Project



- High-rise condominium including Grand Medini Residence Project.

Grand Medini Residence Project



6. INFORMATION ON OUR GROUP (Cont'd)

6.4.3 Our completed and on-going projects

6.4.3.1 Completed projects

Following is the list of our major completed projects during the Financial Years Under Review:-

Project name	Description	Customer name	Our role ⁽¹⁾	Start date ⁽²⁾	Completion date ⁽³⁾	Total contract value ⁽⁴⁾ (RM million)
Non-residential						
RUMAWIP SkyAwani Residence Project	Construction of mixed-use commercial building comprising affordable apartment, retail podium, elevated car park, electrical substations and related facilities in Sentul, Kuala Lumpur	Citra Amal Sdn Bhd	Main contractor	January 2016	July 2018	194.28
Geo Bukit Rimau Project	Construction of mixed-use commercial building comprising serviced apartment, shop units, car park and related facilities in Shah Alam, Selangor	Knox Wawasan Development Sdn Bhd	Main contractor	July 2017	September 2019	210.00
Nadayu 63 Project	Construction of mixed-use commercial building comprising serviced apartment, retail podium, car park and related facilities in Taman Melawati, Selangor	Twin Ridge Sdn Bhd	Main contractor	January 2016	October 2019	105.65
Menara TCM Project	Construction of office building with elevated car park in Kuala Lumpur	Tong Ah Company Sdn Bhd	Main contractor	July 2017	September 2020	185.00
TWY Mont Kiara Project	Construction of serviced apartment, podium and basement car park in Mont Kiara, Kuala Lumpur	TWY Development Sdn Bhd	Main contractor	September 2018	October 2020	163.80

6. INFORMATION ON OUR GROUP (Cont'd)

Project name	Description	Customer name	Our role ⁽¹⁾	Start date ⁽²⁾	Completion date ⁽³⁾	Total contract value ⁽⁴⁾ (RM million)
Residential						
Grand Medini Residence Project	Construction of apartment including an elevated car park and related facilities in Johor	Grand Global Medini Sdn Bhd	Main contractor	October 2015	August 2018	210.89

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6. INFORMATION ON OUR GROUP (Cont'd)

In addition, following is the list of some of our notable completed projects:-

Project name	Description	Customer name	Our role ⁽¹⁾	Start date ⁽²⁾	Completion date ⁽³⁾	Total contract value ⁽⁴⁾ (RM million)
Non-residential						
SetiaWalk Project	Construction of mixed-use commercial building comprising retail shops, shop offices, hotel and small-office-home-office (SoHo) in Puchong, Selangor	Bandar Setia Alam Sdn Bhd	Main contractor	December 2008	June 2011	264.85
Setia Sky Residences (Celeste Tower) Project	Construction of serviced apartment with elevated car park in Kuala Lumpur	Exceljade Sdn Bhd	Main contractor	November 2011	January 2015	111.89
Top Glove Tower Project	Construction of office building with elevated car park in Setia Alam, Selangor.	Top Glove Properties Sdn Bhd	Main contractor	March 2013	April 2015	87.03
Setia Sky Residences (Divina Tower) Project	Construction of serviced apartment with elevated car park in Kuala Lumpur	Exceljade Sdn Bhd	Main contractor	December 2013	December 2016	105.24
Tropicana International School Project	Construction of an international school with basement car park in Petaling Jaya, Selangor	Tropicana Education Management Sdn Bhd	Main contractor	March 2014	July 2016	87.72

Notes:-

- (1) We are the main contractor for our customers, who are property developers or building owners of the respective projects.
- (2) Start date is based on date of commencement stated in the letter of award.
- (3) Completion date is based on issuance date of CPC.
- (4) Total contract value includes variation orders.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.3.2 On-Going Projects

For the Financial Years Under Review and up to the LPD, the list of our on-going projects are as follows:-

Project name	Description	Customer name	Our role⁽¹⁾	Start date⁽²⁾	Expected completion date⁽³⁾	Total contract value⁽⁴⁾ (RM million)
Non-residential						
Mutiara Central Project	Construction of a commercial building comprising offices, retail shops and related facilities, elevated and basement car park in Cheras, Kuala Lumpur	Opus Development Sdn Bhd	Main contractor	June 2019	January 2022 ⁽⁵⁾	102.21
Riana Dutamas (Phase 2) Project	Construction of serviced apartments, related facilities and multi-storey car park in Segambut, Kuala Lumpur	368 Segambut Sdn Bhd	Main contractor	December 2020	August 2023	179.00
The Pulse Residence Project	Construction of mixed-use commercial building comprising serviced apartments, retail podium, related facilities, electrical substation and multi-storey car park in Bandar Puteri Puchong, Selangor	BSC Land Development Sdn Bhd	Main contractor	February 2021	August 2024	180.00
121 Residences Project	Construction of serviced apartments, SoHo, related facilities and multi-storey car park in Petaling Jaya, Selangor	FDM Development Sdn Bhd	Main contractor	May 2021	July 2023	143.50
Residential						
PPAM Sofiya Residensi Project	Construction of affordable apartment under the PPAM programme and a multi-storey car park in Desa ParkCity, Kuala Lumpur	Perdana ParkCity Sdn Bhd	Main contractor	December 2017	April 2021 ⁽⁵⁾	148.99

6. INFORMATION ON OUR GROUP (Cont'd)

Project name	Description	Customer name	Our role ⁽¹⁾	Start date ⁽²⁾	Expected completion date ⁽³⁾	Total contract value ⁽⁴⁾ (RM million)
Emerald Hills (Phase 3) Project	Construction of condominium, elevated and basement car park in Alam Damai, Kuala Lumpur	GLM Emerald Hills (Cheras) Sdn Bhd	Main contractor	December 2018	October 2021 ⁽⁵⁾	142.36
Emerald Hills (Phase 4) Project	Construction of condominium, elevated and basement car park in Alam Damai, Kuala Lumpur	GLM Emerald Hills (Cheras) Sdn Bhd	Main contractor	October 2019	May 2024 ⁽⁶⁾	195.00
TUAI Residence Project	Construction of condominium, related facilities, electrical substation and multi-storey car park in Setia Alam, Selangor	Suntrack Development Sdn Bhd	Main contractor	March 2021	June 2023	74.58

We currently have one on-going design and building construction project as follows:-

Project name	Description	Customer name	Our role	Start date ⁽²⁾	Expected completion date ⁽³⁾	Total contract value ⁽⁴⁾ (RM million)
Kajang Women and Children Hospital Project	Construction of the new women and children complex for Kajang Hospital in Kajang, Selangor	Naluri Rezeki Sdn Bhd ⁽⁷⁾	Main contractor ⁽⁷⁾	September 2018	March 2022 ⁽⁸⁾	204.28

Notes:-

- (1) We are the main contractor for our customers, who are property developers or building owners of the respective projects.
- (2) Start date is based on date of commencement stated in the letter of award or date of the letter of award.
- (3) Completion date is based on date of completion stated in the letter of award or revised completion date based on extension of time granted by our customers.
- (4) Total contract value includes variation orders.

6. INFORMATION ON OUR GROUP (Cont'd)

- (5) Due to the COVID-19 pandemic resulting in the suspension and slowdown of work during the MCO and conditional MCO periods, these projects were delayed and we subsequently sought and obtained approval for an extension of time from our customers.
- (6) On 21 September 2020, we entered into a supplemental agreement with GLM Emerald Hills (Cheras) Sdn Bhd for the extension of the expected completion date of the Emerald Hills (Phase 4) Project to May 2024.
- (7) We are the main contractor for Nauri Rezeki Sdn Bhd, the turnkey contractor for this project.
- (8) Due to the COVID-19 pandemic resulting in the suspension and slowdown of work during the MCO and conditional MCO periods, the project was delayed and we subsequently sought and obtained approval for an extension of time to August 2021 from the Ministry of Works. On 10 March 2021, a further extension of time was granted by the Ministry of Works to March 2022 as there was a delay from the Ministry of Works in approving the technical specification adherence for the Group I medical equipment.

As at LPD, we have a total order book of RM953.08 million. Please refer to Section 11.5 of this Prospectus for further details on our order book and the unbilled amount for the on-going projects.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.4.4 Operational facilities**

As at the LPD, our Group's head office and storage yard are located in Selangor and details are as follows:-

Company	Main Function	Location of Facilities	Approximate Built-up Area (sq. ft.)
Tuju Setia	Head office	No. 29 & 31, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan	15,000
	Storage yard	Lot 12310, Tempat Sungai Labu, Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor Darul Ehsan	87,834 ⁽¹⁾

Note:-

(1) Refers to the land area.

6.4.5 Types and sources of input materials and services

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

Purchases of Input Materials and Services

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractor services	163,152	65.27	201,459	71.35	267,827	77.79	158,167	77.76
- Building works	93,342	37.34	108,662	38.48	170,620	49.56	86,852	42.70
- M&E works	63,621	25.45	77,024	27.28	79,801	23.18	58,272	28.65
- Landscaping and internal infrastructure works	3,874	1.55	7,048	2.50	6,611	1.92	4,078	2.00
- Labour supply	1,516	0.61	2,598	0.92	1,964	0.57	2,474	1.22
- Installation of amenities and facilities	620	0.25	1,431	0.51	1,388	0.40	476	0.23
- Others ⁽¹⁾	179	0.07	4,696	1.66	7,443	2.16	6,015	2.96
Construction materials	79,009	31.61	73,507	26.03	66,971	19.45	39,144	19.24
- Steel materials	32,411	12.97	34,376	12.17	26,833	7.79	12,437	6.11
- Concrete and cement materials	26,352	10.54	24,736	8.76	23,346	6.78	13,215	6.50
- Others ⁽²⁾	20,246	8.10	14,395	5.10	16,792	4.88	13,492	6.63

6. INFORMATION ON OUR GROUP (Cont'd)

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental of machinery and equipment	7,796	3.12	7,397	2.62	9,503	2.76	6,108	3.00
TOTAL	249,957	100.00	282,363	100.00	344,301	100.00	203,419	100.00

Notes:-

- (1) Including earthworks and site preparation, piling works as well as finishing works.
- (2) Including other construction materials such as brickwork materials, timber and plywood, doors and windows, tiles, sanitary wares and others.

For the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, the purchases of subcontractor services accounted for 65.27%, 71.35%, 77.79% and 77.76% of our total purchases, respectively. The following are some of the services where we engaged external parties to carry out the works:-

- Building works such as reinforced concrete structural works as well as architectural works including flooring, roofing, glazing and finishing works;
- M&E works include supply and installation of all mechanical and electrical system such as lifts, fire protection system, security system, air conditioning system, as well as water supply and plumbing systems;
- Subcontracted labour involves the supply of contract workers to carry out on-site construction works including operators of tower cranes; and
- Other subcontractor services include earthworks and site preparation, infrastructure works such as paving of walkways and access road, sewerage and drainage system, installation of related facilities such as swimming pool and fitness centre, and playground, as well as landscaping works.

The purchases of construction materials accounted for 31.61%, 26.03%, 19.45% and 19.24% of our total purchases for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively. We procured construction materials including steel materials, concrete and cement, and other materials. Some of these materials are used by our subcontractors to carry out the works at our project sites under our supervision and management.

For the Financial Years Under Review, all our purchases including subcontractor services and materials were sourced locally.

Steel bar and concrete are the main materials used in our construction operations. Purchases of steel materials as well as concrete and cement materials accounted for 23.51%, 20.93%, 14.57% and 12.61% of our total purchases for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively. The prices of steel bars and concrete are subject to price fluctuations as a result of demand and supply conditions in the market. As these are the two main materials used in our construction operations, the purchase prices will affect our margin to a certain extent. Generally, the unit prices of these construction materials are budgeted into our cost of construction where we have factored in the price fluctuations of construction materials over the duration of the project period. In the event of any unfavourable fluctuations in the cost of these materials during the performance of our contracts may increase our overall project costs. Further details on the risk factors pertaining to unanticipated increases in the cost of construction for our projects including cost of construction materials are set out in Section 8.1.2 of this Prospectus.

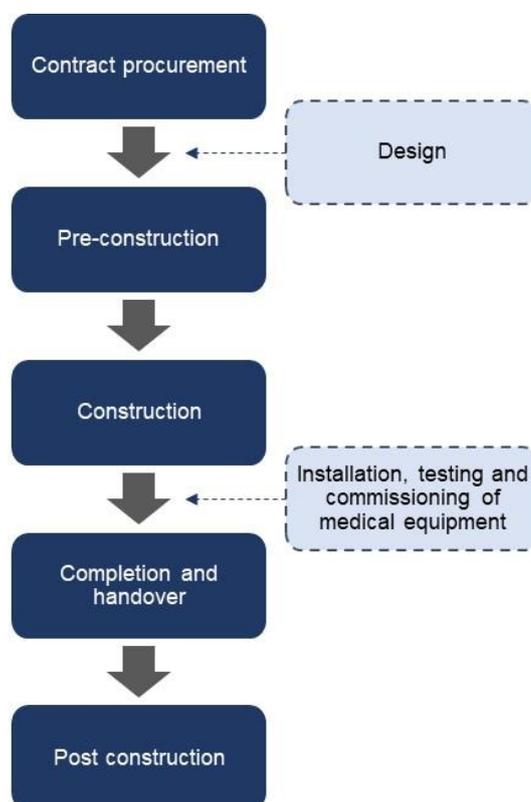
6. INFORMATION ON OUR GROUP (Cont'd)

6.4.6 Production output, capacity and utilisation

Production output, capacity and utilisation rate are not applicable to our business operations as we are principally involved in the provision of construction services.

6.4.7 Process flow

Our general process flow to undertake a construction project is depicted in the following diagram:-



 These processes were undertaken for design and construction for the Kajang Women and Children Hospital Project only.

Contract procurement

The process flow of a new construction project begins with contract procurement. All our contracts are secured through tenders. Upon receipt of the invitation to tender for a project, our management will conduct a preliminary assessment on the potential project before deciding to participate in the tender.

If we decide to tender for the contract, we will commence preparation of tender documents, which involves site investigation, costing, budgets, project scheduling, resource planning including manpower and supply of materials, as well as liaison with customers on tender clarification. The commercial proposal with the final pricing will be submitted together with our technical proposal with supporting documents and tender bond.

6. INFORMATION ON OUR GROUP (Cont'd)

For design and construction of hospital contract, we will also include the conceptual design covering preliminary structural and architectural design, general floor plan, zoning plan and space requirement of each department.

Design

This phase is only for our design and construction of the Kajang Women and Children Hospital. Once we have secured the contract, we will proceed to develop a schematic and detailed design, which covers the following:-

- detailed floor plan and layout;
- detailed room data incorporating descriptions of all finishes, fixtures and fittings as well as mechanical, electrical and medical gases requirements of each department or space in the hospital;
- detailed department and room layout;
- location of major medical equipment;
- electricity, communications and medical gas supply;
- water, drainage and plumbing system; and
- security and alarm system.

Other designs also include architectural, internal infrastructure, landscape and utilities. For the Kajang Women and Children Hospital Project, the design is undertaken by external professionals appointed by our customer who is the turnkey contractor for the project.

Pre-construction

Upon acceptance of the letter of award, we are required to submit a performance bond in the form of a bank guarantee to the customer. We will then assemble a project team and commence our pre-construction works which include project planning, and earthworks and site preparation.

Our project planning includes the following main activities:-

- project scheduling, milestones and timeline;
- project costing and financial resource planning;
- human resource, outsourcing, supplier and material planning;
- equipment and machinery requirements;
- quality assurance and control programme;
- environment consideration and waste removal;
- workers' health and safety; and
- obtaining and complying to regulatory matters.

Part of our project planning includes procurement planning which involves the appointment of subcontractors, procurement of construction materials as well as rental of machinery and equipment.

We then engage subcontractors to undertake site clearance and earthworks to make the site suitable for building construction. Site clearance includes clearing of vegetation such as undergrowth shrubs and trees, and removal of boulders, tree stumps and roots, excavation, backfilling and transportation of soil to and from the site and levelling and compacting the earth. We will establish staging areas for equipment to be delivered to the site and temporary storage areas for construction materials and equipment. We then mobilise machinery and equipment and set up temporary facilities and utilities such as site office and equipment staging area.

6. INFORMATION ON OUR GROUP (Cont'd)

Construction

Most of our building construction projects are for high-rise buildings, which require substructure works such as deep piling foundation and, in some situations, retaining walls and basement works. These are commonly undertaken by external parties and is typically outside the scope of our contract. Our construction works only commence when the substructure contractor completes its works and hands over the site to us.

The building construction works are mainly focused on the following:-

- structural and wet works incorporating erecting walls, floors, beams, columns and roofs;
- mechanical, electrical, communications and plumbing works; and
- external and internal finishing of the building.

We engage subcontractors to carry out the above construction related works under our supervision, control and management.

While the building construction is in progress, the internal infrastructure such as road access, pavements, perimeter fencing and security, external amenities and structures as well as landscaping is also carried out at the same time.

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

Installation, testing and commissioning of medical equipment

For the design and construction of the Kajang Women and Children Hospital, we are responsible for the procurement of Group I medical equipment. Once the building construction works are ready, we engage subcontractors to commence installation of the Group I medical equipment which involves mechanical, electrical, plumbing and medical gas connections. We will then carry out acceptance tests together with our customer who is the turnkey contractor, hospital representative as well as the equipment supplier to ensure that the medical equipment is fully operational.

Completion and handover

Once construction works are completed, we will carry out final inspection together with the customer, engineer and architect before the project is officially handed over to the customer. Any defects or unsatisfactory works identified during the inspection will need to be rectified promptly. At the same time, we will also demobilise resources and construction materials from the site before handover. The project is deemed to be completed upon the issuance of building certificate of practical completion by the architect or superintendent officer.

Post construction

After the completion of the construction works, we are still responsible for the rectification of defects during the defect liability period, which ranges from 18 months up to 30 months from the date of practical completion, depending on the contract. The rectification works will be carried out by us with the respective subcontractors under our supervision, control and management.

6. INFORMATION ON OUR GROUP (Cont'd)

For the Financial Years Under Review, we have not experienced any defect liability claims against us for our construction works as well as the works of our subcontractors. In light of this, we have not encountered a situation where we need to make any compensation claims from our subcontractors. However, we recorded rectification costs of RM0.11 million, RM0.09 million, RM0.25 million and RM0.08 million for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively. These rectification costs were part of our process to make good our works and not part of defect liability claims from customer. The rectification works will be verified by the consultant and upon the expiration of the defect liability period, the consultant would issue the certificate of making good defects for the project after which we will be able to claim the final retention sum of the project. Prior to the Financial Years Under Review, there were also minimal rectification costs incurred as part of the process to make good our works.

6.4.8 Research and development

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

6.4.9 Technology

We do not employ any special technology in our business operations. We rely on the technologies embedded in the construction machinery and equipment to carry out our construction operations. The list of our key construction machinery and equipment is set out in Section 6.7.3 of this Prospectus.

6.4.10 Modes of sales and marketing

We adopt the following marketing approach to address business opportunities in the residential and non-residential as well as hospital projects:

- (i) participate in tenders to secure projects by invitations from prospective customers;
- (ii) actively review tender notices to address opportunities in bidding for projects;
- (iii) address opportunities through referrals from customers and business associates;
- (iv) proactively market our services by approaching hospital building owners and operators with a view of increasing our market presence and awareness among potential customers; and
- (v) our corporate website serves as an important reference site for potential customers.

The objective of our sales and marketing strategy is to provide our business with sustainable revenue streams as well as growth of our business based on the following approaches:-

- (i) Continue with our core competencies in building construction to provide business sustainability with the following:-
 - (a) Continue to focus on high-rise building construction which requires higher skills set and experience;
 - (b) Continue to focus on construction projects in Kuala Lumpur and Selangor where we have the track record and have built our market reputation in building construction since the commencement of our business in 2006;

6. INFORMATION ON OUR GROUP (Cont'd)

- (c) Continue to focus on projects where we are the main contractor. As a G7 registered contractor, it allows us to carry out projects of unlimited value; and
- (d) To actively bid for government projects since we have obtained a Certificate of Government Procurement Works (SPKK) from the CIDB, which allows us to participate in tenders for government projects.
- (ii) Expand our design and construction segment to provide growth and diversity:-
- Increase sales and marketing efforts to secure contracts for design and construction for hospitals and other healthcare facilities. As at March 2021, there were 563 Grade G7 companies registered under the code B29 (hospital building works) as compared to 8,857 Grade G7 building construction companies. As at the LPD, we are undertaking the design and construction of the Kajang Women and Children Hospital Project. This project is expected to be completed by March 2022. Upon completion, this project is expected to serve as a reference for our capabilities to undertake future design and construction of hospital projects.
- (iii) Our sales and marketing activities to promote our Group are supported by the following credentials:-
- (a) We have an established track record in the building construction business for approximately 15 years.
- (b) We possess the following registration and certifications to ensure our eligibility to undertake relevant projects:-
- Registered as a Grade G7 contractor with the CIDB, which enables us to undertake contracts without any restrictions on the contract value;
 - Obtained Certificate of Government Procurement Works (SPKK) from the CIDB, which allows us to participate in tenders for government projects;
 - Registered with the CIDB under the specialisation for IBS (prefabricated concrete system); and
 - Registered with the CIDB under the specialisation for hospital building works (code B29), which allows us to undertake construction of healthcare facility.
- (c) We have obtained recognitions through several assessment systems such as SHASSIC, QLASSIC and CONQUAS as well as awards to serve as testimonials of our quality of work.
- (d) For the Financial Years Under Review and up to the LPD, we have completed our projects without any delay, which reinforces our ability to deliver construction projects on time as well as providing quality works that meet our customers' specifications and requirements. Further details on our completed and on-going projects are set out in Section 6.4.3 of this Prospectus.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.11 Major approvals, licences and permits obtained

Details of major approvals, licences and permits applicable to our Group as at the LPD are as follows:-

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
1.	PTS	<p>Certificate of Registration pursuant to Part VI of Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 in respect of:</p> <ul style="list-style-type: none"> Grade G7, Category Building Construction, registration specialisation B01, B04, B06, B07, B16, B28 and B29; Grade G7, Category Civil Engineering Construction, registration specialisation CE01, CE06, CE21, CE22 and CE24; and Grade G7, Category Mechanical and Electrical, registration specialisation M15. <p>This certificate allows PTS to carry out the following work scope:</p> <p>B01 : industrialised building system, precast concrete system</p>	CIDB	Registration No. 0120060925 – WP110858	<p>Issuance date: 10 October 2020</p> <p>Validity period: 10 October 2020 to 22 September 2023</p>	<p>1. General Conditions</p> <p>a) This certificate is non-transferable.</p> <p>b) CIDB reserves the right to review the registration grade of the registered contractor from time to time.</p> <p>2. Responsibility and Obligations of the Contractor</p> <p>a) The contractor shall not participate in any tender or execute any construction works after the expiration of this certificate unless it is renewed.</p> <p>b) The contractor shall not undertake any construction projects which exceeds the value of construction works specified under the registration grade and shall not execute any type of construction work outside of its registered category(ies).</p>	<p>Complied</p> <p>Noted</p> <p>Complied</p> <p>Complied</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
		B04: general building construction works B06: concrete repair work B07: interior design and decoration works B16: construction and installation of swimming pool system B28: renovation works B29: hospital building works CE01: road works CE06: road and drainage CE21: construction of civil engineering CE22: synthetic track and field CE24: civil ad structural engineering works M15: installation, testing and commissioning of various mechanical system				<p>c) The contractor shall submit information regarding any construction works or contract(s) within 14 days of the award or before commencement of work or whichever is earlier.</p> <p>d) The contractor shall apply for a renewal of registration within 60 days before the expiry date specified in this certificate.</p> <p>3. Disciplinary Actions The contractor's registration shall be cancelled or suspended if:-</p> <p>a) The contractor fails to comply with the requirement of any other written law;</p> <p>b) The contractor has been adjudicated bankrupt;</p> <p>c) A winding-up petition in relation to the contractor has been presented;</p> <p>d) The contractor contravenes or fails to comply with any provision of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994;</p>	<p>Complied</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						<p>e) The contractor has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;</p> <p>f) The contractor has abandoned any construction works undertaken without reasonable cause;</p> <p>g) The contractor is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; or</p> <p>h) The contractor contravenes any of the contractor's responsibilities and obligations as specified in paragraph 2.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
2.	PTS	<p>Grade G7 Certificate of Government Procurement Works (<i>Sijil Perolehan Kerja Kerajaan</i>) for:</p> <ul style="list-style-type: none"> • Category B (building construction); • Category CE (civil engineering construction); and • Category ME (mechanical and electrical). 	CIDB	<p>Registration No. 0120060925 – WP110858</p>	<p>Issuance date: 23 July 2020</p> <p>Validity period: 23 July 2020 to 22 September 2023</p>	<p>1. General Conditions</p> <p>a) This certificate shall not be used as acknowledgement for initiating or undertaking to execute construction work. This certificate shall only be used to participate in government procurement works or any work with government agencies only.</p> <p>b) This certificate will be revoked automatically if the certificate of registration as a contractor has expired or is cancelled / suspended in accordance with Regulation 15 of the Registration of Contractors (Construction Industry) 1995.</p> <p>c) This certificate must be submitted together with the certificate of registration as contractor during the tender for government procurement work or any work with government agencies.</p> <p>d) This certificate shall be renewed together with the certificate of registration issued by CIDB as contractor.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						<p>2. Responsibilities of the Company / Holder of the Certificate</p> <p>a) The company / holder of the certificate shall not lend, lease, transfer, permit or cause the certificate to be used by someone who has not been named to use this certificate for the purpose of procuring government work. The contractor shall not participate in any tender or execute any construction works after the expiration of this certificate unless it is renewed.</p> <p>b) The company / holder of the certificate shall inform CIDB of any change in information within 30 days from the date of occurrence of the said change.</p> <p>3. Disciplinary Actions</p> <p>a) The company / holder of the certificate shall be subject to such disciplinary actions set out in Regulation 15 of the Registration of Contractors (Construction Industry) Regulations 1995 in the event of failure to comply with paragraph 2 above.</p>	<p>Complied</p> <p>Noted</p> <p>Noted</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
						<p>b) CIDB has the right to take disciplinary action and impose any punishment on the registered contractor.</p> <p>c) The company / holder of the certificate whose certificate has been revoked or withdrawn via disciplinary proceedings shall not participate in any tender or involve in government procurement work within the stipulated period.</p> <p>d) The company / holder of the certificate whose certificate has been revoked or withdrawn will be removed from the register of CIDB. Such company who wishes to reobtain the Certificate of Government Procurement Works shall comply with the terms and conditions for the issuance of the Certificate of Government Procurement Works for new applications. A blacklisted key management personnel is prohibited from obtaining the Certificate of Government Procurement Works for a period of 3 years.</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
4.	PTS	Business and signage licence for No. 29 (1 st , 2 nd and 3 rd Floor) & 31 (Ground Floor, 1 st , 2 nd and 3 rd Floor), Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor <ul style="list-style-type: none"> • Iklan melintang / bersinar • Pejabat urusan (>260 m.p.s – 3 lot atau lebih) • Stor 	Majlis Perbandaran Subang Jaya	MPSJ/LES/600/03/01977-20	Expiry date: 2 September 2021	<ol style="list-style-type: none"> 1. The licence shall be placed at the Demised Premises. 2. The licence shall be renewed 3 months before the expiry of the licence except for temporary licence. Majlis Perbandaran Subang Jaya will no longer issue renewal notice starting 2019. 	<p>Complied</p> <p>Noted</p>
5.	PTS	Business, trade and industry licence for PTS located at Lot 12310, Mukim Tanjung Dua Belas, Sungai Labu, 42700 Banting, Selangor Description of licence: <ul style="list-style-type: none"> • Kilang gudang 	Majlis Perbandaran Kuala Langat	MDKL/JPL/LKH 107(BTG)	Issuance date: 17 February 2021 Expiry date: 31 December 2021	The licence shall be renewed 2 months before the expiry of the licence.	Noted
6.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Truck Mounted Crane located at No. G-31, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor	Department of Occupational Safety and Health, Selangor	Certificate No.: PMA-SL/20 174133 Registration No.: SL PMA 83676	Issuance date: 30 June 2020 Expiry date: 29 September 2021	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
7.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 64577, Jalan Daun Inai 20, Desa Parkcity, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/20 89003 Registration No.: JH PMA 19293	Issuance date: 1 October 2020 Expiry date: 23 December 2021	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
8.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 64577, Jalan Daun Inai 20, Desa Parkcity, Mukim Batu, Kuala Lumpur, Wilayah Persekutuan	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/20 89004 Registration No.: JH PMA 19294	Issuance date: 1 October 2020 Expiry date: 23 December 2021	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
9.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Tower Crane located at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, Kuala Lumpur	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/20 91241 Registration No.: SL PMA 29179	Issuance date: 5 November 2020 Expiry date: 29 January 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
10.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Tower Crane located at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, Kuala Lumpur	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/20 91240 Registration No.: WP PMA 16917	Issuance date: 5 November 2020 Expiry date: 29 January 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
11.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, Kuala Lumpur	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/21 102437 Registration No.: JH PMA 18804	Issuance date: 23 March 2021 Expiry date: 1 June 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
12.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, Kuala Lumpur	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/21 102439 Registration No.: JH PMA 18805	Issuance date: 23 March 2021 Expiry date: 1 June 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
13.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, Kuala Lumpur	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/21 102441 Registration No.: JH PMA 18802	Issuance date: 23 March 2021 Expiry date: 1 June 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
14.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, Kuala Lumpur	Department of Occupational Safety and Health, Kuala Lumpur	Certificate No.: PMA-WP/21 102438 Registration No.: JH PMA 18803	Issuance date: 23 March 2021 Expiry date: 1 June 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
15.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Tower Crane located at Naiktaraf Hospital Kajang, Selangor Secara Reka dan Bina (Project), 43000 Kajang, Selangor	Department of Occupational Safety and Health, Selangor	Certificate No.: PMA-SL/20 201129 Registration No.: SL PMA 19791	Issuance date: 14 December 2020 Expiry date: 7 March 2022	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Company	Description of approval / licence / permit	Authority	Licence / Reference no.	Issuance date / Expiry date	Major conditions imposed	Status of compliance
16.	PTS	Certificate of fitness under the Factories and Machinery Act 1967 for Passenger Hoist located at Lot 54948-54949, PT8344-PT8346, 480593 and a part of Lot 2060, Batu 5, Jalan Cheras, Mukim Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur 56000 Kuala Lumpur	Department of Occupational Safety and Health, Selangor	Certificate No.: PMA-WP/20 79573 Registration No.: WP PMA 89271	Issuance date: 18 June 2020 Expiry date: 17 September 2021	According to Regulation 26(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970, after the inspection of a machinery, it is required for this machinery to be operated by a person qualified and registered with Department of Occupational Safety and Health.	Complied
17.	PTS	Scheduled controlled articles permits under Regulation 9(2), Control of Supplies Regulations 1974 for purchasing 2,000 litres of diesel to be stored at Lot 7585-7589, Lot 7597-7600 and PT 15231, Jalan 6/154D, Persiaran Alam Damai, Alam Damai, 56000 Kuala Lumpur	Ministry of Domestic Trade, Co-operatives and Consumerism	KPDNHEP / WP / 006 / 03 / 16 / P / 0817	Validity period: 17 August 2020 to 16 August 2021	Nil.	N/A

Our Group has an internal process to monitor and track the renewal of all approvals, licences and permits applicable to our Group. The respective departments in charge will closely monitor the validity of our approvals, licences and permits and the timing for submission of renewal applications to ensure all the approvals, licences and permits are renewed in a timely manner prior to their expiry. Upon submission of the renewal application, our Group will actively liaise and follow up closely with the relevant authorities on the progress of the renewal. Upon renewal, we will maintain the supporting records of the licences and permits in both hard copy and electronic formats to ensure that the relevant files are complete and available for review.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.4.12 Intellectual property rights, patents, trademarks and registrations

As at the LPD, our Group does not have intellectual property rights, patents, trademarks and registrations.

6.4.13 Contracts / arrangements / documents on which our Group is materially dependent

As at the LPD, there is no contracts / arrangements / documents on which our Group is materially dependent upon.

6.4.14 Interruptions to our business and operations

Within the 12 months prior to the LPD, we experienced interruptions to our business due to the government imposed MCO for the COVID-19 pandemic, which affected Malaysia. During the MCO period, which commenced on 18 March 2020, our construction works were temporarily suspended.

COVID-19 pandemic

The World Health Organisation declared the coronavirus COVID-19 a pandemic on 11 March 2020. The government of Malaysia implemented several measures to reduce and control the spread of COVID-19 in the country, commencing from 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. Our business operations in Malaysia were temporarily interrupted by these measures.

MCO period

On 16 March 2020, the Government had announced the MCO to curb the spread of COVID-19 in Malaysia. The first phase of MCO took place from 18 March 2020 to 31 March 2020 and measures under the MCO included, among others, the closure of all businesses except those classified under "essential services" or have received written approval to operate from the MITI; restrictions on the movement of people within Malaysia; and restrictions on international travel to and from Malaysia.

During the MCO period, all the on-site construction activities for our projects were temporarily suspended. Our Directors noted that this was a temporary condition and we took steps to submit our applications to MITI for the resumption of on-site construction activities. During the MCO period, all our management and administrative staffs continued to work from home.

On 19 April 2020, we received MITI's approval for the resumption of the following projects:-

- Menara TCM Project;
- TWY Mont Kiara Project;
- PPAM Sofiya Residensi Project;
- Emerald Hills (Phase 3) Project;
- Mutiara Central Project; and
- Kajang Women and Children Hospital Project (approval was issued to the turnkey contractor on 29 April 2020).

Upon receiving MITI's approval on 19 April 2020, we arranged for all our site personnel and subcontractor's workers to go through COVID-19 testing before commencement of works. We also started on the preparation works to resume on-site construction activities including implementation of SOP at our construction sites.

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

The Government implemented the conditional MCO from 4 May 2020 to 9 June 2020. The conditional MCO relaxed some of the measures implemented during MCO, including allowing many economic sectors to resume business provided that specified guidelines and the SOP were followed, and large gatherings avoided. Restrictions on the movement of people within Malaysia were also relaxed, while restrictions on international travel were modified slightly.

On 4 May 2020, we resumed our on-site construction activities, and all our office staff were allowed to return to the head office while complying with the guidelines and SOP. While we experienced some reduction in our Group's business activity during the conditional MCO period, the reduction was lesser compared to the MCO period.

Recovery MCO period

The conditional MCO was followed by the recovery MCO from 10 June 2020 to 31 August 2020. Starting from 10 June 2020, almost all economic sectors were allowed to resume provided they follow specified guidelines and SOP. The movement of people within Malaysia was further relaxed, although restrictions on international travel remained the same as during the conditional MCO period. Our business operations continued to operate according to guidelines and SOP. The recovery MCO was further extended to 31 March 2021 with imposition of conditional MCO in certain federal territories and states in Malaysia since October 2020.

Re-imposed MCO period

The MCO was re-imposed in all federal territories and most of the states in Malaysia for different durations since January 2021.

Nevertheless, we had obtained the approval from MITI to operate our business as usual with SOP in place. Our Group does not expect any impact to our business and operations arising from the imposition of the second MCO.

(a) Impact on our business operations

Our construction activities were temporarily suspended from 18 March to 3 May 2020 during the MCO period. Due to the restrictions imposed by the Government during MCO, we were unable to carry out any on-site construction activities which resulted in an estimated value of suspended construction works of RM19.37 million between 18 March 2020 and up to 3 May 2020. Please refer to Section 6.4.14(b) below for further details on the revenue analysis during the MCO period.

As our projects were delayed due to the COVID-19 pandemic and suspension and slowdown of work during the MCO and conditional MCO periods, we have sought extension of time from our customers for the following projects:-

Project name	Initial contractual completion date	Extended completion date
Menara TCM Project	April 2020	September 2020
TWY Mont Kiara Project	May 2020	December 2020
PPAM Sofiya Residensi Project	November 2020	April 2021
Kajang Women and Children Hospital Project	April 2021	* March 2022
Emerald Hills (Phase 3) Project	June 2021	October 2021
Mutiara Central Project	September 2021	January 2022

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

- * The completion date of the project was extended to August 2021 due to the MCO and conditional MCO periods. Subsequently on 10 March 2021, a further extension of time to March 2022 was granted by the Ministry of Works due to the delay from the Ministry of Works in approving the technical specification adherence for the Group I medical equipment.

We have received written confirmation from our customers or architects for the extension of time for the above contracts that have been delayed by the work stoppages and slowdown during the MCO and conditional MCO periods. Between 18 March 2020 and up to LPD, we did not receive any cancellation or suspension of any contracts.

As at the LPD, notwithstanding the COVID-19 outbreak, we have not encountered any supply disruption for new orders of construction materials. For all of our current on-going projects, the construction materials have been delivered on-site.

(b) Impact on our financial performance including cash flow, liquidity and financial position

Our financial performance was affected by delays in billings due to the temporary suspension and slowdown of our on-site construction activities during the MCO and conditional MCO periods. In this respect, the delay in billings will have an impact on our revenue recognition during the MCO and conditional MCO periods. Nevertheless, we continued to have some billings based on works that were completed prior to the MCO. Our revenue declined by 20.60%, from RM23.40 million in February 2020 to RM18.58 million in March 2020, and further declined by 67.44% to RM6.05 million in April 2020. Upon the resumption of business operations on 4 May 2020, we continued to take the necessary precautions based on the SOP. Our revenue improved by 142.82%, from RM6.05 million in April 2020 to RM14.69 million in May 2020 and improved further by 85.71% to RM27.28 million in June 2020.

During the MCO period, we did not incur any cost in subcontractor works or cost of construction materials save for the rental of machinery during the period of suspension. However, we continued to incur administrative expenses including staff cost, depreciation expenses, finance cost as well as other administrative costs. We also incurred additional medical cost for testing our staff and site personnel including site manager and supervisor. For FYE 2020, the total medical and related cost incurred was RM0.84 million, of which RM0.45 million was borne by our subcontractors and suppliers for testing their workers. Up to the LPD, the medical and related cost incurred was RM0.47 million, of which RM0.25 million was borne by our subcontractors and suppliers for testing their workers.

The COVID-19 pandemic had resulted in a decline in the construction activities in both residential and non-residential segments of the construction industry in FYE 2020. The pandemic and the consequential containment measures had also affected the overall performance of our Group in FYE 2020 as compared to FYE 2019. The general slowdown of the construction industry coupled with the completion of a number of projects in FYE 2019 and FYE 2020 resulted in lower construction activities performed by our Group and led to a decrease in revenue in FYE 2020. Please refer to Section 11.3.3(a) of this Prospectus for further details of our revenue. Nevertheless, based on our order book as at the LPD and assuming no further suspensions to construction activities due to MCO, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our financial condition in FYE 2021 and our prospects in the long run. This view takes into consideration the gradual recovery of Malaysia's economy where according to BNM, Malaysia's economy is expected to grow between 6.5% to 7.5% by 2021 (*Source: Industry Overview*).

As set out in Section 6.4.14(a) of this Prospectus, we have received written confirmation from our customers for the extension of time for our projects that have been delayed by the work stoppages and slowdown during the MCO and conditional MCO periods. As a result, we do not expect any claims for liquidated ascertained damages for the delay.

As at 31 December 2020, we have cash and cash equivalents of RM33.74 million, outstanding loans and borrowings of RM24.19 million and balance unutilised credit facilities of RM140.52 million. Our working capital will be sufficient for our operating expenditure and will sustain our business, after taking into consideration our cash and bank balances, and banking facilities that are currently available to our Group.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, we have not received any claw-back or reduction in banking facility limits granted to us by the financial institutions. We do not expect any difficulties in meeting our debt repayment obligations during the next 12 months. We do not anticipate any material impairment to our assets, inventories and receivables.

(c) Measures and steps taken by our Group in response to COVID-19 pandemic

Since the resumption of business operations on 4 May 2020, we have implemented standard operating procedures at our construction sites and head office to protect our employees, workers, subcontractors, and other site related personnel. We have conducted polymerase chain reaction (PCR) swab tests on all site personnel and construction workers. Further, we implemented additional measures by conducting blood oxygen saturation level (SpO2) tests on all site personnel and construction workers at all the project sites.

The measures and precautions undertaken are as follows:-

(i) Health Declaration

All employees are required to provide declarations of their health condition and travel history in the past 14 days prior to resuming work at the construction sites and head office. For visitors at the construction sites and head office, we require them to declare their health condition and travel history in the past 14 days. All staff and visitors at the head office are required to pass temperature checks and the results recorded, provide their contact information, wear face masks and practice social distancing.

(ii) Construction site management

We have implemented measures at the construction sites to prevent and control the spread of COVID-19 by requiring the visitors, employees, and subcontractors to adhere to the following:-

- (a) wear face masks at all times;
- (b) wash their hands with soap and water or sanitisers upon entering the construction sites;
- (c) ensure the body temperature is measured and recorded before entering the construction sites;
- (d) employees and subcontractors are tagged with health screening stickers (with colour codes and date);
- (e) the emergency assembly area is marked with proper distancing marking in the event of an emergency gathering;
- (f) ensure adequate social distancing when employees and subcontractors move to their workstations by limiting the number of people in each passenger hoist;
- (g) site offices and site meeting rooms are demarcated to ensure adequate social distancing is observed; and
- (h) promoting awareness on COVID-19 among employees and subcontractors by placing notices at the construction sites, including the relevant local government hospital's contacts.

(iii) COVID-19 emergency response team

We have set-up a dedicated emergency response team headed by the relevant senior management personnel. In addition, we have established guidelines on the emergency response procedures to be undertaken in the event of a suspected COVID-19 infection.

(iv) Foreign workers

We do not hire any foreign workers under our Group. The foreign workers working at our construction sites are under the employment of our subcontractors. As such, we have strict requirements for our subcontractors to ensure their foreign workers undergo COVID-19 testing before resuming works at our construction sites. As part of our efforts, we have also provided adequate makeshift COVID-19 isolation areas at Centralised Labour Quarters ("CLQ(s)") of our subcontractors. Since the commencement of works on 4 May 2020 and up to the LPD, our project sites did not encounter any issue relating to the renewal of permits for foreign workers from our subcontractors.

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

We measure and record the body temperature, name, and contact numbers of our employees, subcontractors, and visitors on a daily basis. Such records are maintained at the head office and construction site office to facilitate contact tracing in the event of COVID-19 infection detected.

(vi) Isolation area

We have set-up makeshift COVID-19 isolation areas at the CLQs provided by our subcontractors to house the foreign workers. If any suspected COVID-19 infection is detected, the personnel shall be isolated to prevent an outbreak. The isolation areas at the CLQ are set-up at all our project sites with a total set-up cost of approximately RM0.06 million at our expense.

If any of our employees or our subcontractor's workers are infected with COVID-19 or any other contagious or virulent diseases, we may be required to temporarily shut down our operation at the affected site or Head Office for a period of time as advised by the Ministry of Health, Malaysia to contain the spread of the disease. Furthermore, in the event of an infection, all our employees and/or subcontractor's workers would have to undergo COVID-19 test.

Despite having the above measures and precautions in place, on 12 January 2021, 132 out of the total of 528 workers (comprising subcontractor's workers and our staffs) at Emerald Hills (Phase 3) Project were tested positive via the Rapid Test Kit Antigen test. We have immediately suspended the construction works at the project site. The 132 workers had been quarantined and isolated from other workers before they were arranged for polymerase chain reaction (PCR) swab test on 13 January 2021. The Ministry of Health, Malaysia was immediately notified on 14 January 2021. On 15 January 2021, 130 out of the 132 workers were confirmed COVID-19 positive and these 130 workers were sent to hospital as arranged by the Ministry of Health, Malaysia. The balance of the 398 workers had been quarantined at the designated hotels, site and home (for local Malaysians) as directed by the Ministry of Health, Malaysia.

On 22 January 2021, all the 130 workers who tested positive for COVID-19 were discharged from the hospital. The Ministry of Health, Malaysia has uplifted the stop work order and the construction work at Emerald Hills (Phase 3) Project has resumed on 23 January 2021. Save for the testing, isolation and sanitisation costs which amounted to RM0.25 million, there was no material impact on the project progress, billings and cash flows of our Group for FYE 2021.

Save as disclosed above, there are no other positive Covid-19 infections detected in our projects as at the LPD. We will continue to closely monitor and take all necessary preventive measures to ensure our employees' safety and health as well as the continuity of our operations.

(d) Impact on our business and earning prospects

The COVID-19 pandemic has affected Malaysia's economy including reducing or delaying the demand in the building construction industry. In 2020, the real GDP of Malaysia grew by 0.7% in the first quarter (Q1) but declined by 17.1% in the second quarter (Q2) as compared to the corresponding periods in 2019. The decline in the Q2 2020 was mainly due to weak external demand conditions as well as restricted production and consumption activities resulting from measures to contain the COVID-19 pandemic. The real GDP of the construction industry declined by 7.9% and 44.5% in the Q1 and Q2 of 2020 as compared to the corresponding periods in 2019.

Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in Malaysia in the long run. This view takes into consideration the expected gradual recovery of Malaysia's economy from the second quarter of 2021 onwards underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. This will be supported by growth factors including large public projects such as MRT, and high multiplier smaller projects, as well as recovery on commodity production. Some of the construction related activities that

6. INFORMATION ON OUR GROUP (Cont'd)

is expected to contribute to the improvement in Malaysia's economy includes the continuation of large-scale infrastructure projects namely MRT2, LRT3, Pan Borneo Highway, East Coast Rail Link project, Johor Bahru-Singapore rapid transit system, National Fiberisation and Connectivity Plan, ramp-up of upstream and downstream oil and gas projects, and power generation projects. This will be supported by the Malaysian Government's economic stimulus packages including the Prihatin Rakyat Economic Stimulus (PRIHATIN) with an allocation of RM250 billion, Prihatin SME Economic Stimulus Package (PRIHATIN SME+) with an allocation of RM10 billion and Short Term Economic Recovery Plan (PENJANA) with allocation of an RM35 billion. *(Source: Industry Overview)*

As at the LPD, we have a total order book of RM953.08 million based on unbilled contract value from contracts secured. Please refer to Section 11.5 of this Prospectus for further details on our order book.

6.4.15 Seasonality

We do not experience any material seasonality or cyclicity in our business as the demand for our products and services are neither subject to seasonal fluctuations nor cyclical variations.

6.4.16 Employees

As at the LPD, we have a total workforce of 145. The following table sets out the breakdown of our employees in our Group based on job function as at the LPD:

Category	No. of employees
Management	6
Accounts	8
Human Resource	2
Construction	58
Administration	6
Logistic	6
Mechanical and electrical	17
Tender and Contract	18
Purchasing	5
Quality Assurance	4
Safety	14
Information Technology	1
Total	145

As at the LPD, our Group does not employ any foreign workers and contractual and / or temporary workers.

None of our employees are members of any union nor have there been any major past industrial dispute.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.5 MAJOR CUSTOMERS

Our top 5 major customers for the Financial Years Under Review are as follows:-

FYE 2017

Major customers	Principal activities / Role of major customers	Main type of services provided by our Group	Projects / Locations	RM'000	% of total revenue	Length of business relationship (years)^
Citra Amal Sdn Bhd	Property development	Construction of non-residential building	RUMAWIP SkyAwani Residence Project, Kuala Lumpur	116,031	39.68	1
Grand Global Medini Sdn Bhd	Property developer	Construction of non-residential building	Grand Medini Residence Project, Johor	79,914	27.33	2
Twin Ridge Sdn Bhd	Property development	Construction of non-residential building	Nadayu 63 Project, Selangor	35,079	12.00	1
Knox Wawasan Development Sdn Bhd	Property development	Construction of non-residential building	Geo Bukit Rimau Project, Selangor	27,828	9.52	*
Tong Ah Company Sdn Bhd	Liquor merchant distiller and hotelier / Building owner	Construction of non-residential building	Menara TCM Project, Kuala Lumpur	12,307	4.21	*
Total				271,159	92.74	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2018

Major customers	Principal activities / Role of major customers	Main type of services provided by our Group	Projects / Locations	RM'000	% of total revenue	Length of business relationship (years)^
Knox Wawasan Development Sdn Bhd	Property development	Construction of non-residential building	Geo Bukit Rimau Project, Selangor	113,433	34.60	1
Tong Ah Company Sdn Bhd	Liquor merchant distiller and hotelier / Building owner	Construction of non-residential building	Menara TCM Project, Kuala Lumpur	58,836	17.95	1
Grand Global Medini Sdn Bhd	Property developer	Construction of residential building	Grand Medini Residence Project, Johor	50,909	15.53	3
Citra Amal Sdn Bhd	Property development	Construction of non-residential building	RUMAWIP SkyAwani Residence Project, Kuala Lumpur	29,620	9.04	2
Twin Ridge Sdn Bhd	Property development	Construction of non-residential building	Nadayu 63 Project, Selangor	25,093	7.66	2
Total				277,891	84.78	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2019

Major customers	Principal activities / Role of major customers	Main type of services provided by our Group	Projects / Locations	RM'000	% of total revenue	Length of business relationship (years)^
TWY Development Sdn Bhd ⁽¹⁾	Property development	Construction of non-residential building	TWY Mont Kiara Project, Kuala Lumpur	97,941	23.23	1
Perdana ParkCity Sdn Bhd	Property developer	Construction of residential building	PPAM Sofiya Residensi Project, Kuala Lumpur	76,593	18.17	2
Tong Ah Company Sdn Bhd	Liquor merchant distiller and hotelier / Building owner	Construction of non-residential building	Menara TCM Project, Kuala Lumpur	76,485	18.14	2
Knox Wawasan Development Sdn Bhd	Property development	Construction of non-residential building	Geo Bukit Rimau Project, Selangor	63,591	15.08	2
GLM Emerald Hills (Cheras) Sdn Bhd ⁽²⁾	Property development	Construction of residential building	Emerald Hills (Phase 3) Project and Emerald Hills (Phase 4) Project, Kuala Lumpur	37,339	8.85	1
Total				351,949	83.47	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2020

Major customers	Principal activities / Role of major customers	Main type of services provided by our Group	Projects / Locations	RM'000	% of total revenue	Length of business relationship (years)^
GLM Emerald Hills (Cheras) Sdn Bhd ⁽²⁾	Property development	Construction of residential building	Emerald Hills (Phase 3) Project and Emerald Hills (Phase 4) Project, Kuala Lumpur	67,906	26.55	2
TWY Development Sdn Bhd ⁽¹⁾	Property development	Construction of non-residential building	TWY Mont Kiara Project, Kuala Lumpur	54,790	21.42	2
Naluri Rezeki Sdn Bhd	Property development and construction contractor	Design and construction of hospital	Kajang Women and Children Hospital Project, Selangor	49,901	19.51	2
Perdana ParkCity Sdn Bhd	Property developer	Construction of residential building	PPAM Sofiya Residensi Project, Kuala Lumpur	33,530	13.11	3
Opus Development Sdn Bhd	Property development	Construction of non-residential building	Mutiara Central Project, Kuala Lumpur	27,526	10.76	2
Total				233,653		

Notes:-

^ Length of business relationship is determined as at the respective FYEs.

* Less than 1 year.

(1) TWY Development Sdn Bhd is a subsidiary of Symphony Life Berhad, a company listed on the Main Market of Bursa Securities.

(2) GLM Emerald Hills (Cheras) Sdn Bhd is a subsidiary of GuocoLand (Malaysia) Berhad, a company listed on the Main Market of Bursa Securities.

We are not dependent on any of our above customers as the nature of our business is project-based where our construction projects typically have a contract period ranging from two to four years. In addition, the revenue contributions from the above customers are based on the proportion of construction works completed for these respective on-going projects.

As at the LPD, none of our Directors, Promoters and / or substantial shareholders has any interest, direct or indirect, in any of our major customers.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6 MAJOR SUPPLIERS

Our top 5 major suppliers for the Financial Years Under Review are as follows:-

FYE 2017

Major suppliers	Principal activities of major suppliers	Main types of products / services offered	RM'000	% of total purchases	Length of business relationship (years)*
Evermix Concrete Sdn Bhd	Manufacturer and supplier of chemical products and construction material	Supply of concrete	13,618	5.45	8
YHY Resources Sdn Bhd	Renovation and construction works	Subcontractor – building works mainly for reinforced concrete and structural works	9,531	3.81	2
Seng Hiap Glass Sdn Bhd ⁽¹⁾	Manufacturing and dealing in glass and other related products	Subcontractor – building works mainly for curtain wall, aluminium and glazing works	9,413	3.77	4
Sepakat LK Sdn Bhd	Contractor for construction work	Subcontractor – infrastructure works mainly for internal roads, drainage systems, and tiling works	9,058	3.62	4
WST Construction Sdn Bhd	Carrying on business in construction industry	Subcontractor – building works mainly for reinforced concrete and structural works	8,282	3.31	2
Total			49,902	19.96	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2018

Major suppliers	Principal activities of major suppliers	Main types of products / services offered	RM'000	% of total purchases	Length of business relationship (years)*
MFE Formwork Technology Sdn Bhd	Manufacturing and selling of a special formwork system for construction industry	Supply of aluminium formwork	14,590	5.17	6
Evermix Concrete Sdn Bhd	Manufacturer and supplier of chemical products and construction material	Supply of concrete	11,316	4.01	9
SHB Enterprise Sdn Bhd	Distributor of building materials and related products	Construction materials including steel bars and cement	7,220	2.56	2
Kejuruteraan Asastera Bhd ⁽¹⁾⁽²⁾	Electrical contractor and trading in electrical materials	Subcontractor – M&E works mainly installation of electrical equipment, extra low voltage and wiring works	7,106	2.51	1
Seng Hiap Glass Sdn Bhd ⁽¹⁾	Manufacturing and dealing in glass and other related products	Subcontractor – building works mainly for curtain wall, aluminium and glazing works	6,910	2.45	5
Total			47,142	16.70	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2019

Major suppliers	Principal activities of major suppliers	Main types of products / services offered	RM'000	% of total purchases	Length of business relationship (years)*
Zitotech (M) Sdn Bhd	Dealing in aluminium and glass products	Subcontractor – building works mainly for curtain wall, aluminium and glazing works	24,925	7.24	2
DSG Projects Malaysia Sdn Bhd ⁽¹⁾	Provision of interior fitting-out and furnishing solution	Subcontractor – interior fit-out works	17,196	4.99	1
PWC Façade Sdn Bhd ⁽¹⁾	Construction business	Subcontractor – building works mainly for external wall cladding and façade works	12,997	3.78	1
Hume Marketing Co. Sdn Bhd ⁽³⁾	Distributor of building materials	Supply of steel bar	12,468	3.62	12
Sricool Engineering Sdn Bhd ⁽¹⁾	Contractor and dealer in electrical and electronic products	Subcontractor – M&E works mainly for air conditioning and mechanical ventilation system for buildings	11,393	3.31	5
Total			78,979	22.94	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2020

Major suppliers	Principal activities of major suppliers	Main types of products / services offered	RM'000	% of total purchases	Length of business relationship (years)*
DSG Projects Malaysia Sdn Bhd ⁽¹⁾	Provision of interior fitting-out and furnishing solution	Subcontractor – interior fit-out works	11,958	5.88	2
Sepakat LK Sdn Bhd	Contractor for construction work	Subcontractor – infrastructure works mainly for internal roads, drainage systems, and tiling works	10,599	5.21	7
Westpac Engineering Sdn Bhd	Contractor for provision of engineering services	Subcontractor – M&E works mainly installation of electrical equipment	7,663	3.77	3
WST Construction Sdn Bhd	Carrying on business in construction industry	Subcontractor – building works mainly for reinforced concrete and structural works	7,217	3.55	5
Sigton Engineering Sdn Bhd	Dealing with air conditioning engineering works and related business	Subcontractor – installation of air-conditioning and mechanical ventilation	6,499	3.19	12
Total			43,936	21.60	

Notes:-

- * Length of business relationship is determined as at the respective FYEs.
- (1) Refers to the NSC nominated by our customer for specialised works.
- (2) A company listed on the ACE Market of Bursa Securities.
- (3) Hume Marketing Co. Sdn Bhd is a subsidiary of Hong Leong Industries Berhad, a company listed on the Main Market of Bursa Securities.

6. INFORMATION ON OUR GROUP (Cont'd)

The appointment of the subcontractors/suppliers is based on their capabilities and reliability to ensure the quality of services delivered to our customers. We maintain a list of approved subcontractors/suppliers who we engage to carry out the construction activities or supply materials for our projects. We review and assess the list of approved subcontractor/suppliers annually based on their financial performance, ability to meet our quality requirements and pricing.

For the Financial Years Under Review, we were not dependent on any suppliers, as subcontracted services and materials are widely available and we source them from various local suppliers.

As at the LPD, none of our Directors, Promoters and / or substantial shareholders has any interest, direct or indirect, in any of our major suppliers.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.7 PROPERTIES, PLANT AND EQUIPMENT

6.7.1 Properties owned

A summary of the material land and buildings owned by our Group for our operations as at the LPD is as follows:-

No.	Registered / Beneficial owner	Title details / Property address	Description and existing use	Category of land use / Tenure of property	Restrictions in interest / Material encumbrance(s)	Date of issuance of certificate of fitness or completion and compliance	Land / Built-up area (sq. ft.)	NBV as at 31 December 2020 RM'000
1.	PTS	H.S.(D) 313296, PT 80276, Mukim Petaling, Daerah Petaling, Negeri Selangor / No. G-31, 31-1, 31-2, 31-3, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor	A unit of 4-storey shop office / Office	Building / Freehold	Nil / Charged to CIMB Bank Berhad	30 December 2011	<u>Land area</u> 1,873 <u>Built-up area</u> 7,500	2,354.35
2.	PTS	H.S.(D) 313297, PT 80277, Mukim Petaling, Daerah Petaling, Negeri Selangor / No. G-29, 29-1, 29-2, 29-3, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor	A unit of 4-storey shop office / Food and beverage (G-29) and Office (29-1 to 29-3)	Building / Freehold	Nil / Charged to CIMB Bank Berhad	30 December 2011	<u>Land area</u> 1,873 <u>Built-up area</u> 7,500	2,354.35

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered / Beneficial owner	Title details / Property address	Description and existing use	Category of land use / Tenure of property	Restrictions in interest / Material encumbrance(s)	Date of issuance of certificate of fitness or certificate of completion and compliance	Land / Built-up area (sq. ft.)	NBV as at 31 December 2020 RM'000
3.	PTS	PM 6704, Lot 12310, Mukim Tanjung Dua Belas, Tempat Sungai Labu, Daerah Kuala Langat, Negeri Selangor*	Agricultural land / Storage	Agriculture / Leasehold of 99 years, expiring on 10 November 2090 Remaining unexpired term of the lease: Approximately 70 years and 3 months	This land shall not be sold, leased, charged or transferred in any way unless with the approval of the State Authority. / Charged to Alliance Bank Malaysia Berhad	N/A	<u>Land area</u> 87,834	1,534.14
4.	PTS	PM8388, Lot 104169, Tempat Revolusi Hijau Batu 5, Johan Setia, Mukim Klang, Daerah Klang, Negeri Selangor	Agricultural land / Vacant	Agriculture / Leasehold of 99 years, expiring on 17 November 2092 Remaining unexpired term of the lease: Approximately 72 years and 3 months	This land shall not be transferred, leased or charged unless with the approval of the State Authority. / Charged to CIMB Bank Berhad	N/A	<u>Land area</u> 44,746	577.73

6. INFORMATION ON OUR GROUP (Cont'd)

Note:-

* Currently, our Group has stored our construction machinery and equipment in-transit between construction projects on this piece of land that is zoned as agricultural land. On 8 May 2020, our Group has obtained a licence issued by Majlis Perbandaran Kuala Langat to use this piece of land for storage purposes which is valid until 31 December 2020. The licence is subject to yearly renewal, where the renewed licence has been issued by Majlis Perbandaran Kuala Langat on 17 February 2021 and is valid from 1 January 2021 up to 31 December 2021. However, the usage of agricultural land for storage purposes not related to agriculture may amount to non-compliance under the National Land Code ("NLC"). The maximum penalty our Group may be subject to is forfeiture of land by the relevant authority and / or monetary fines of not less than RM500 and in the case of continuing breach a further fine of not less than RM100 each day during which the non-compliance continues.

As at 31 December 2020, the net book value of the construction machinery and equipment stored at this land is approximately RM0.50 million, which represents approximately 0.92% of our audited total net assets of RM54.16 million. The value of the construction machinery and equipment will vary at any particular point in time as the items are transiting between the construction sites as and when required for our projects.

On 11 August 2020, our Group has appointed a town planning consultant to prepare an application to the relevant land office for conversion of category of land use from agriculture to industrial in view of the non-compliance under the NLC for the usage of agricultural land for storage purposes not related to agriculture. The application had been submitted to the relevant land office in November 2020 and the outcome of the submission is anticipated to be received by November 2021. The estimated cost for such conversion would be based on the conversion premium which is calculated at 20% of the market value of the land, based on industrial category of land use. The conversion premium will be paid upon obtaining approval for conversion from the relevant land office.

In addition, our Group is currently in the midst of identifying a larger piece of land with an approximate area of 5 acres which complies with all relevant land rules and building regulations in the Klang Valley, Malaysia to store our construction machinery and equipment that are in transit between construction sites as the current storage yard of 2 acres will not be enough to store our existing and new construction machinery and equipment to be purchased using the proceeds from our IPO. Upon the purchase of a new piece of land and construction of storage facilities using the proceeds from our IPO, our Group intends to relocate our existing storage facilities to the new premises and thereafter dispose of the property as stated in item (3) above. The larger new piece of land will enable us to accommodate our future needs. Our Group expects to complete the acquisition of the land and construction of the storage facilities within 36 months from the date of the Listing. Further details of the purchase of land for storage is set out in Section 6.8.3.2 of this Prospectus.

We do not expect the abovementioned non-compliance to have any material adverse impact on our business operations and financial performance. Nonetheless, we have taken measures to rectify the non-compliance as set out above.

6. INFORMATION ON OUR GROUP (Cont'd)

6.7.2 Properties owned by our Group and rented out to third parties

A summary of the material land and buildings owned by our Group and rented out to third parties by our Group as at the LPD is as follows:-

No.	Landlord	Tenant	Property address	Description and existing use	Built-up area (sq. ft.)	Tenure	Rental per annum RM'000
1.	PTS	Ara Reka Sdn Bhd	No. G-29, Jalan Puteri 4/8, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan	Ground floor of a 4-storey shop office / For food and beverage only	1,430	2 years and 1 month, commencing from 16 September 2019 to 15 October 2021	42

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6. INFORMATION ON OUR GROUP (Cont'd)**6.7.3 Key construction machinery and equipment**

Our Group utilises the following key construction machinery and equipment:-

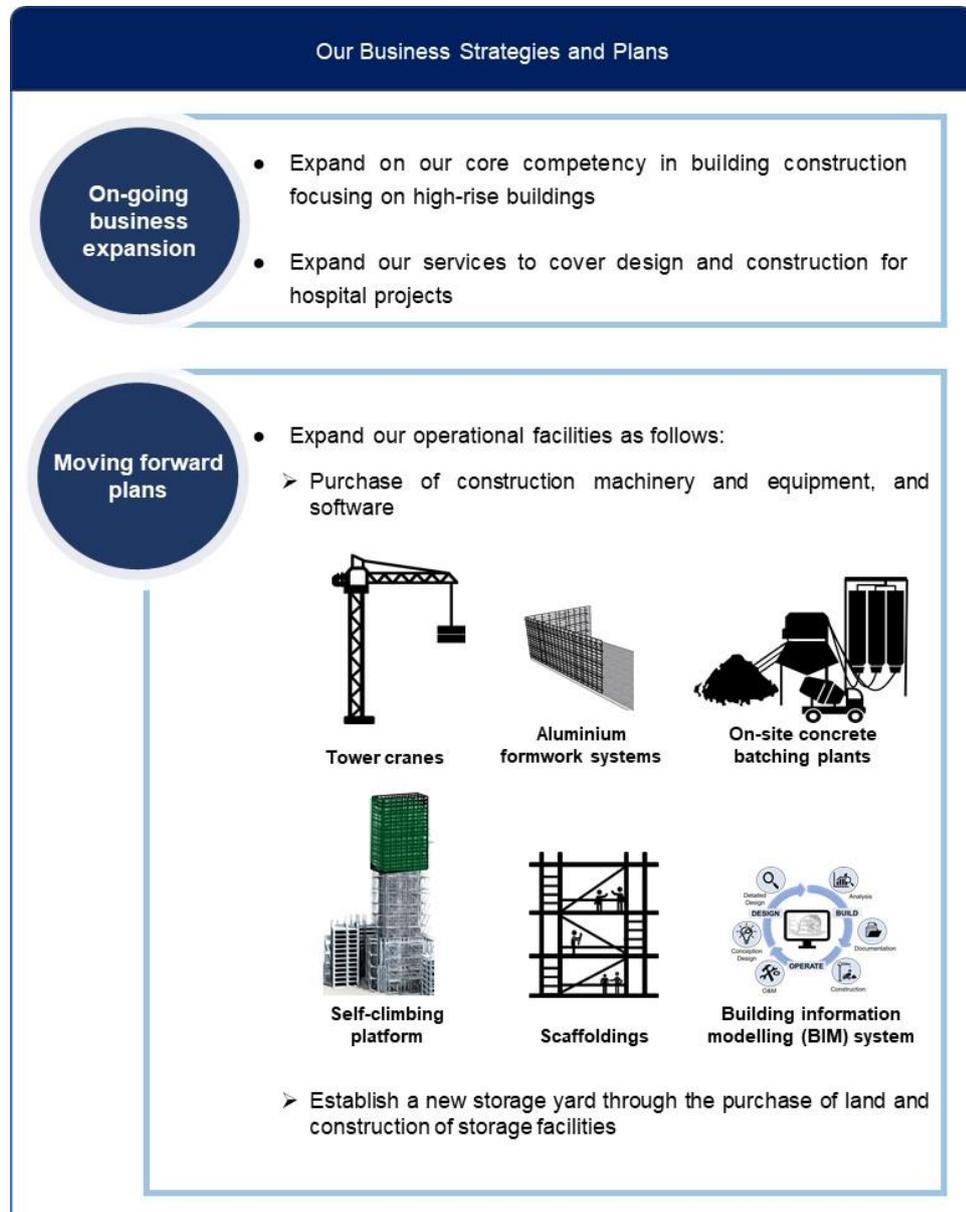
Key construction machinery and equipment	Description	No. of unit(s) as at 31 December 2020			NBV as at 31 December 2020 (RM'000)
		Fully depreciated	With NBV	Total	
Crane	Used to lift and lower construction materials.	1	3	4	1,398
Passenger hoist	Construction elevator carrying people and materials.	1	4	5	830
Concrete pump	Used to transfer ready-mix concrete to the designated area.	-	5	5	1,157
Concrete placing boom	An articulating robotic arm attached to a concrete pump to transfer and place concrete for the construction of high-rise buildings.	-	3	3	441
Lorry tipper	Used to transport construction material between project sites and / or store.	1	2	3	34
Crane mounted truck	Used to lift and lower construction materials.	-	1	1	320
Formworks	Used as temporary structures to serve as moulds for concrete to be poured in.	-	39,371 sq. m.	39,371 sq. m.	16,163
Total					20,343

6. INFORMATION ON OUR GROUP (Cont'd)

6.8 BUSINESS STRATEGIES AND PLANS

6.8.1 Overview of our Business Strategies and Plans

Moving forward, we will continue to leverage on our current core competency in building construction to sustain and grow our business as follows:-



6. INFORMATION ON OUR GROUP (Cont'd)

Our overall business strategies and plans are to continue to focus on our core competency in building construction. We believe the experience and expertise we have gained from our past projects coupled with our competitive strength will provide us with the growth opportunities moving forward. The prospects of our Group after taking into the consideration our competitive strengths and our business strategies and plans as follows:-

- (i) As at the LPD, we have a total order book of RM953.08 million, of which RM349.98 million (36.72%) of the total order book is expected to be recognised in the FYE 2021 while the remaining RM603.11 million (63.28%) is expected to be recognised progressively in FYE 2022 to FYE 2024. As our order book is project-based and generally non-recurring, our business sustainability and growth are dependent on our ability to continue to secure contracts for building construction projects. In this respect, we will continue to leverage on our core competency in building construction focusing on high-rise buildings to secure new contracts to sustain and grow our business.

Our track record with our customers, some who are established developers in Klang Valley such as Exceljade Sdn Bhd (subsidiary of S P Setia Berhad), GLM Emerald Hills (Cheras) Sdn Bhd (subsidiary of GuocoLand (Malaysia) Berhad), TWY Development Sdn Bhd (subsidiary of Symphony Life Berhad) and Perdana ParkCity Sdn Bhd, is expected to serve as a reference for us to secure additional projects from them. Our track record has also attracted other developers to invite us to participate in tendering for their new projects.

- (ii) We are also actively working on expanding our expertise in design and building construction contracts for hospitals and other healthcare facilities, leveraging on our Managing Director's management expertise and experience. As at the LPD, we have an on-going project in the design and construction of a hospital which includes procurement and installation of medical equipment. With the completion of this hospital project in March 2022, it will serve as a reference site to secure similar type of projects.

Building on our competency and capabilities, we have submitted tenders for high-rise building construction projects and proposals for hospital projects and these will potentially contribute to our future order book as well as increase our market presence in these sectors.

Our prospects also take into consideration the following external factors to provide us with opportunities to sustain and grow our business:

- (i) According to Bank Negara Malaysia, the Malaysian economy contracted by 17.1% in the second quarter of 2020 mainly due to weak internal demand conditions as well as restricted production and consumption activities resulting from the containment measures from the COVID-19 pandemic. Malaysia's economy improved with a smaller contraction of 2.7% in the third quarter of 2020 due to the reopening of the economy. However, in the fourth quarter of 2020, Malaysia's economy declined by 3.4% and this was mainly attributable to the targeted containment measures imposed in a few states since mid-October due to resurgence of COVID-19 cases in the country. The real GDP of the construction industry declined by 7.9% and 44.5% in the Q1 and Q2 of 2020 as compared to the corresponding period in 2019. In Q2 2020, almost all activities came to a standstill particularly in the month of April. However, the situation improved towards the end of Q2 after the Government implemented additional measures such as providing details on Standard Operating Procedures and subsidising COVID-19 test for workers covered by the Social Security Organisation (SOCSO) to facilitate the revival of the economy. In 2020, the real GDP of Malaysia declined by 5.6%, while the construction industry declined by 19.4% in 2020.

Malaysia's economy is expected to recover and grow within a range of 6.5% to 7.5% by 2021, while the construction industry is expected to grow by 13.9% in 2021. According to Bank Negara Malaysia, Malaysia's economy is expected to gradually improve underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial.

6. INFORMATION ON OUR GROUP (Cont'd)

- (ii) In 2020, Malaysia has approximately 15,900 units of overhang high-rise residential properties valued at RM8.2 billion. Of this, 18.7% and 17.6% were from Kuala Lumpur and Selangor respectively. The overhang high-rise commercial properties were mainly serviced apartments and SoHo. In 2020, Malaysia has approximately 25,700 units of overhang high-rise commercial properties valued at RM21.9 billion. Of this, 18.2% and 13.0% were from Kuala Lumpur and Selangor respectively.

Despite the above overhang conditions in both high-rise residential and non-residential properties in Malaysia, there continues to be opportunities in property development projects in 2020. This is demonstrated by the future supply of high-rise residential properties which stands at 375,167 units as of 2020, inclusive of 111,795 units from Kuala Lumpur and 82,982 units from Selangor. As of 2020, the future supply of high-rise commercial properties stands at 347,113 units, inclusive of 131,586 units from Kuala Lumpur and 87,071 units from Selangor. The continuing supply of high-rise residential and non-residential properties in the future is expected to provide opportunities to high-rise building construction operators.

- (iii) In the Budget 2021, the Malaysian government has allocated RM31.9 billion for healthcare services, of which RM366 million is to be allocated for the construction of new hospitals.

(Source: Industry Overview)

6.8.2 Continue to strengthen our current competency in building construction

6.8.2.1 Expansion on core competency in construction focusing on high-rise buildings

We will continue to leverage on our core competency in the construction of high-rise buildings to sustain and grow our business. Since the commencement of our business operations in 2006 and up to the LPD, we have completed 18 projects for the construction of high-rise buildings with an aggregated contract value of approximately RM2.23 billion.

As at the LPD, we have a total order book of RM953.08 million, of which RM838.07 million is for the construction of high-rise buildings based on unbilled contract value from contracts secured. Please refer to Section 11.5 of this Prospectus for further details on our order book. Our track record in the construction of high-rise buildings will serve as a reference for us to secure additional high-rise building construction projects.

6.8.2.2 Expand our services to cover design and construction for hospital projects

We plan to expand our building construction services to include provision of design services. We will continue to increase our efforts in tendering for design and building construction contracts for hospital and other healthcare facilities including government and private healthcare facilities. Our on-going Kajang Women and Children Hospital Project is expected to serve as a reference for our future design and building construction projects. We secured this project in September 2018 which is expected to be completed by March 2022.

In this respect, part of our business strategy is to address opportunities in the healthcare sector in Malaysia. This is in line with the Budget 2021 where the Malaysian government has allocated RM31.9 billion for healthcare services, of which RM366 million is to be allocated for the construction of new hospitals. *(Source: Industry Overview)*.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.8.3 Moving forward plans to expand our operational facilities****6.8.3.1 Purchase of construction machinery and equipment, and software**

We utilise construction machinery and equipment in our operations. Rental of construction machinery and equipment amounted to RM7.80 million, RM7.40 million, RM9.50 million and RM6.10 million for FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively. As part of our business strategy, we plan to purchase the following construction machinery and equipment which are critical to our operations:-

	No. of units	Total estimated cost (RM '000)	Expected timing to purchase
Aluminium Formwork building system	15,000 sq. m.	8,000	Within 24 months
Tower cranes	4 units	5,000	Within 24 months
Self-climbing platform	1 set	4,000	Within 24 months
Scaffoldings	10,000 units	1,000	Within 24 months
On-site concrete batching plants	4 sets	4,000	Within 24 months
BIM system software	1 licence	2,000	Within 12 months
Total		24,000	

We aim to reduce our dependency on external parties as well as reduce rental costs of some of the time-critical machinery and equipment. The estimated cost of purchasing these machinery and equipment, and the BIM system software is RM24.00 million and will be funded through the IPO proceeds within a period of 12 to 24 months from the Listing date. Please refer to Section 4.4 of this Prospectus for further details on the use of proceeds.

(i) Aluminium formwork system

We use formwork system for the construction of our high-rise buildings. As at 31 December 2020, we have a total of 39,371 sq. m. of aluminium formwork systems. As at the LPD, we have 4 on-going high-rise building construction projects which are using formwork systems. As our business continues to expand and we continue to submit tenders, we will require more formwork systems.

In this respect, we intend to purchase an additional 15,000 sq. m. of aluminium formwork systems to cater to our business expansion and growth. The total cost of these formworks is estimated at RM8.00 million which will be funded using our IPO proceeds and we plan to purchase these additional aluminium formwork systems within 24 months from the Listing date.

(ii) Tower cranes

Tower cranes are used at the sites of our high-rise building construction for handling construction materials. As at 31 December 2020, we own 4 units of tower cranes with a maximum load of 10 tonnes and a working radius of 55 metres. The rental cost of tower cranes was RM0.53 million, RM0.86 million, RM1.86 million and RM0.85 million for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively.

To cater to our business growth, we plan to purchase an additional 4 units of tower cranes with similar lifting capacity of a maximum load of 10 tonnes within 24 months from the Listing date. The total cost of these tower cranes is estimated at RM5.00 million which will be funded using our IPO proceeds.

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) Self-climbing platform

We plan to expand our facilities to purchase a new set of self-climbing platform for our building construction operations. The self-climbing platform is a frame structure integrated with self-climbing mechanism designed for high-rise building construction. This comprises wall formwork and platform which are fully enclosed to provide safe and weather shielded working areas. The electric or hydraulic cylinder mechanism enables the platform to move from floor to floor with a one-time installation and lifting.

We plan to purchase this new set of self-climbing platform within 24 months from the Listing date. The total cost of this new self-climbing platform is estimated at RM4.00 million, which will be funded using our IPO proceeds.

(iv) Scaffoldings

We plan to purchase additional 10,000 units of scaffoldings to cater to our business growth as well as to replace some of the old and non-reusable scaffoldings. The total cost of the additional scaffoldings is estimated at RM1.00 million and will be funded using our IPO proceeds within 24 months from the Listing date.

(v) On-site concrete batching plants

The on-site concrete batching plants are used to mix sand, cement and aggregate to produce concrete at the construction site. We plan to purchase 4 sets of on-site concrete batching plants to cater to our business growth. The total cost of the new concrete batching plants is estimated at RM4.00 million which will be funded using our IPO proceeds within 24 months from the Listing date.

(vi) Building information modelling (BIM) system software

We have implemented the use of building information modelling (BIM) software application system by our consultants for the design and construction of the Kajang Women and Children Hospital Project. The BIM system software serves as a digital platform to integrate the planning, scheduling, costing, procurement, design, specification, construction and facility operation data and information required to simulate the physical construction of the project. This digital platform enables us to streamline our design and construction activities to manage and coordinate the entire construction process.

Part of our business strategy is to expand our design and construction segment to focus on hospital projects. In this respect, we plan to purchase the BIM system software to facilitate our design, planning, costing and construction processes. The total cost for the purchase and installation of the BIM system software is estimated at RM2.00 million which will be funded using IPO proceeds within 12 months from the Listing date.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.8.3.2 Purchase of land and construction of storage facilities

As at the LPD, we have a storage yard situated on 2 acres of land which is currently used for the storage of our construction machinery and equipment which are in-transit between construction projects. Please refer to Section 6.7.1 of this Prospectus for further details on our existing storage yard.

We intend to purchase a larger piece of land in the Klang Valley, Malaysia with an approximate area of 5 acres for the storage of our existing and new construction machinery and equipment such as tower cranes, passenger hoists and scaffoldings.

The new piece of land will be used as our storage facilities for the storage of our construction machinery and equipment. We expect to complete the acquisition of the land and construction of the storage facilities within 36 months from the Listing date. With the purchase of land and construction of storage facilities, we intend to relocate our Group's existing storage facilities in Kuala Langat, Selangor to the new premises.

The total cost of the purchase of land and construction of the storage facilities is estimated to be RM8.00 million and will be funded using our IPO proceeds. Please refer to Section 4.4 of this Prospectus for further details on the use of proceeds.



6.9 GOVERNING LAWS AND REGULATIONS

Our Group's business operations are subject to the following laws and regulations:-

- (i) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 governing the registration of construction personnel as well as skills and competency certification;
- (ii) Construction Industry Payment and Adjudication Act 2012 facilitating regular and timely payment and providing a mechanism for speedy dispute resolution through adjudication and remedies for the recovery of payment in the construction industry;
- (iii) Factories and Machinery Act 1967 and Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970 governing the issuance of the certificate of fitness for construction machineries;
- (iv) Occupational Safety and Health Act 1994 regulating the safety, health and welfare of persons at work, protecting others against the risks to safety or health in connection with the activities of persons at work in the construction industry;
- (v) Street, Drainage and Building Act 1974 and the by-laws enacted by the relevant state government governing the matters relating to street, drainage and building in local authority areas in Peninsular Malaysia;
- (vi) Environmental Quality Act 1974 governing the emission, discharge or deposit of environmentally hazardous substances, pollutants or wastes or the emission of noise into any area, segment or element of the environment;
- (vii) Control of Supplies Act 1961 and Control of Supplies Regulations 1974 governing the law on controlled articles in Malaysia;

6. INFORMATION ON OUR GROUP (Cont'd)

- (viii) Local Government Act 1976 and the by-laws of the respective local councils and authorities setting out the requirements to obtain business and signage licences;
- (ix) National Land Code 1965 governing the administration of land matters in Peninsular Malaysia;
- (x) Employment Act 1955 governing employment laws in Peninsular Malaysia; and
- (xi) Income Tax Act 1967 and the prevailing taxation policies in Malaysia.

Save as disclosed in Section 6.7.1 of this Prospectus, as at the LPD, there are no breach of laws and regulations governing our business operations, and environmental issues which may materially affect our Group's operation and usage of our properties.

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7. INDUSTRY OVERVIEW



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

Vital Factor Consulting Sdn Bhd
(Company No: 266797-T)

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Block 6 Level 6, Jalan Utara
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Selangor, Malaysia

Tel (603) 7931 3188
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www.vitalfactor.com

7 April 2021

The Board of Directors
Tuju Setia Berhad
12th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

Dear Sir/Madam

Independent Assessment of the Construction Industry in Malaysia

We, Vital Factor Consulting Sdn Bhd (Vital Factor), are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above subject for inclusion into the prospectus of Tuju Setia Berhad in relation to its proposed listing on the Main Market of Bursa Securities. We have prepared this report in an independent and objective manner and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report includes assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. While such statements are made based on, among others, secondary information, primary market research, and after careful analysis of data and information, the industry is subjected to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results. In light of these and other uncertainties, the inclusion of assessments, opinions and forward-looking statements may differ from actual events.

Yours sincerely

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including initial public offering for companies seeking listing on Bursa Securities.

7. INDUSTRY OVERVIEW (Cont'd)



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INDEPENDENT ASSESSMENT OF THE CONSTRUCTION INDUSTRY IN MALAYSIA

1. INTRODUCTION

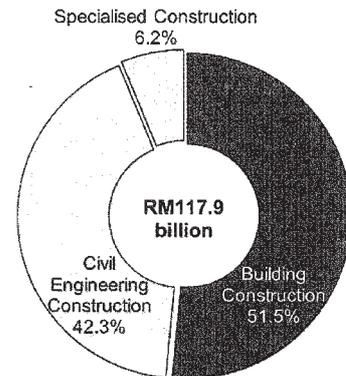
- Tuju Setia Berhad, together with its subsidiary, (herein referred to as Tuju Setia Group or the Group) is involved in the provision of construction services including the construction of residential and non-residential buildings, which will be the focus of this report. The types of buildings that the Group has constructed or is currently constructing include non-residential buildings such as mixed-use commercial buildings, offices, serviced apartments, institutional buildings such as schools and hospitals, while residential buildings include condominiums and affordable apartments. For the financial years ended (FYE) 2017, FYE 2018, FYE 2019 and FYE 2020, most of Tuju Setia Group’s projects were in Selangor and Kuala Lumpur, while a small proportion was in Johor. Therefore, the focus of this report will mainly cover Selangor and Kuala Lumpur.

2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

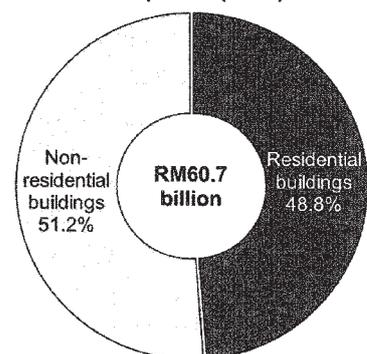
2.1 Structure of the Construction Industry

- Generally, the construction industry in Malaysia can be segmented into the following subsectors:
 - **Building construction** comprises construction of residential and non-residential buildings including new works, repairs, additions, alterations and erection of pre-fabricated buildings and structures.
 - **Civil engineering construction** refers to the construction of infrastructure for public use including roads, railways, bridges, seaports, airports and utility projects such as power plants, pipelines, power lines, communications lines, reservoirs and sewerage systems.
 - **Specialised construction** encompasses constructing parts of buildings and civil engineering works without the responsibility of the entire project. It is usually specialised in one aspect common to different structures, and which requires specialised skills or equipment. Some of the examples of specialised construction activities include demolition, piling and foundation works, concrete works, bricklaying, scaffolding, installation of utilities, and building completion such as plastering, glazing, wall and floor tiling, painting and carpentry.
- Tuju Setia Group operates in the building construction subsector.

Construction Work Completed (2020)



Building Construction Work Completed (2020)



2.2 Building Construction Segmentation

- The building construction subsector is segmented as follows:
 - **Residential buildings**, which are used for dwelling purposes and include landed, low-rise and high-rise residential buildings.
 - **Non-residential buildings**, which mainly comprise commercial, industrial, leisure and institutional buildings such as government, educational and healthcare facilities.
- Tuju Setia Group is involved in the construction of both residential and non-residential buildings.

7. INDUSTRY OVERVIEW (Cont'd)



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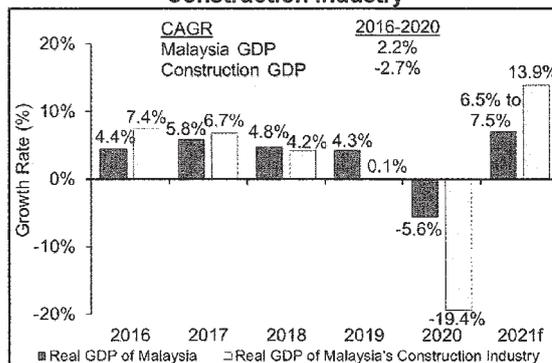
3. PERFORMANCE OF THE CONSTRUCTION INDUSTRY

- The following section focuses on the performance of the construction industry. Growth in the construction industry will help sustain operators within the industry.

3.1 Economic Activities

- Real GDP of the construction industry provides an indication of the value of work undertaken without the impact of price inflation. In 2019, the construction industry in Malaysia experienced a slowdown and registered a GDP growth of 0.1%. The moderated growth in the construction industry was due to the completion of large projects, smaller scale and fewer number of new projects as well as an oversupply of properties (Source: BNM).

Real GDP Growth of Malaysia's Economy and Construction Industry



f = forecast. (Source: Department of Statistics (DOSM), Bank Negara Malaysia (BNM))

- In 2020, the real GDP of Malaysia declined by 5.6%. The real GDP of Malaysia grew by 0.7% in the first quarter (Q1) but declined by 17.1% in the second quarter (Q2) as compared to the corresponding periods in 2019. The decline in the Q2 2020 was mainly due to weak external demand conditions as well as restricted production and consumption activities resulting from measures to contain the COVID-19 pandemic. Malaysia's economy improved with a smaller contraction of 2.7% in the third quarter of 2020 due to the reopening of the economy. However, in the fourth quarter of 2020, Malaysia's economy declined by 3.4% and this was mainly attributable to the targeted containment measures imposed in a few states since mid-October due to resurgence of COVID-19 cases in the country. (Source: BNM)
- The real GDP of the construction industry declined by 19.4% in 2020. In Q2 2020, civil engineering works, non-residential, residential and specialised construction fell by 31.9%, 23.9%, 22.9% and 19.6% respectively. In Q2 2020, almost all activities came to a standstill particularly in the month of April. However, the situation improved towards the end of Q2 after the Government implemented additional measures such as providing details on Standard Operating Procedures and subsidising COVID-19 test for workers covered by the Social Security Organisation (SOCO) to facilitate the revival of the economy. The decline in the construction industry was also partly due to the shutdowns in the construction sites arising from the outbreaks in COVID-19 cases. (Source: BNM) Malaysia's economy is expected to recover and grow within a range of 6.5% to 7.5% by 2021 while the construction industry is expected to grow by 13.9% in 2021.

3.2 Construction Work Completed by Subsectors

- The value of construction work completed provides an indication of the overall performance of the construction industry, where Tuju Setia Group is focused on residential and non-residential segments.

Value of Construction Work Completed by Subsectors

	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
	RM million							
Malaysia (1)	114,943	126,838	138,452	145,547	146,371	117,918	-10.0%	-1.8%
Residential	33,846	37,807	39,317	36,592	35,752	29,609	-10.0%	-5.9%
Non-residential	39,080	39,762	41,552	41,201	37,558	31,127	-13.1%	-5.9%
Federal Territories (1,2)	20,628	24,223	27,836	29,433	33,701	27,154	-3.9%	2.9%
Residential	6,467	8,887	10,582	9,985	9,675	7,998	-10.5%	-2.6%
Non-residential	7,639	8,758	8,648	9,376	10,161	8,072	-7.2%	-2.0%

7. INDUSTRY OVERVIEW (Cont'd)



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	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
	RM million							
Selangor⁽¹⁾	28,038	27,780	31,510	31,965	36,858	31,098	-1.4%	2.9%
Residential	10,028	10,902	11,548	10,028	9,388	8,484	-8.0%	-6.1%
Non-residential	10,472	9,840	9,962	8,481	9,047	7,879	-3.6%	-5.4%

CAGR = Compound annual growth rate; (1) This is the total level comprising residential, non-residential, civil engineering and specialised construction; (2) Includes Kuala Lumpur, Putrajaya and Labuan. Notes: (a) All units in RM million except percentages; (b) Total may not add up due to rounding; (c) All construction work completed referred to in this section cover all main contractors with project value of RM500,000 and above, and are registered with Construction Industry Development Board (CIDB) (Source: Department of Statistics (DOSM)).

- In Malaysia, residential and non-residential construction work completed collectively contributed more than 50% of the total value of construction work in Malaysia between 2016 and 2020.
- In 2020, the residential and non-residential segments in Malaysia recorded a decline in terms of value of construction work completed by 17.2% and 17.1% respectively as compared to the previous year. The decline was mainly due to measures taken to contain the COVID-19 pandemic as well as shutdowns in construction sites due to COVID-19 outbreaks.
- In 2020, Selangor and Federal Territories collectively accounted for 49.4% of the total value of construction work completed in Malaysia. Tuju Setia Group's building construction activities are mainly in Selangor and Kuala Lumpur. In 2020, the value of construction work completed in the residential segments in both Federal Territories and Selangor declined by 17.3% and 9.6% respectively while the value of construction work completed in the non-residential segment declined by 20.6% and 12.9% for Federal Territories and Selangor respectively.

3.3 Construction Work Completed by Public and Private Sector

- Public sector projects include those undertaken by the government or public corporations. Public corporation consists of statutory bodies and non-statutory bodies. Some examples of public corporations include Tenaga Nasional Berhad, Telekom Malaysia Berhad and Keretapi Tanah Melayu Berhad.
- Between 2016 and 2020, private sector projects were the main driver of construction works. However, contribution from private sector projects to the construction industry as a whole has been contracting gradually over the years, from 63.8% in 2016 to 55.2% in 2020. In 2020, 78.4% of the private sector projects were for the construction of residential and non-residential buildings.

Value of Construction Work Completed by Project Owner

	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
	RM million							
Private sector⁽¹⁾	77,200	80,929	87,625	83,067	81,071	65,115	-11.5%	-5.3%
Residential	31,136	34,259	37,425	34,395	32,777	27,258	-11.0%	-5.6%
Non-residential	30,375	30,528	32,118	29,414	27,988	23,808	-10.0%	-6.0%
Public sector^(1,2)	37,743	45,909	50,827	62,480	65,301	52,803	-8.1%	3.6%
Residential	2,710	3,549	1,892	2,197	2,975	2,351	3.5%	-9.8%
Non-residential	8,704	9,234	9,434	11,787	9,570	7,318	-21.2%	-5.6%
Total	114,943	126,838	138,452	145,547	146,371	117,918	-10.0%	-1.8%

CAGR = Compound annual growth rate; (1) This is the total level comprising residential, non-residential, civil engineering and specialised construction (2) Public sector includes Government and public corporations. Notes: (a) Total may not add up due to rounding; (b) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above, and are registered with CIDB (Source: DOSM).

- In 2020, the private and public sectors experienced a decline of 19.7% and 19.1% in the value of construction work completed respectively. This was mainly due to measures taken to contain the COVID-19 pandemic, particularly in Q2 2020 where the total value of construction work completed in the private and public sector declined by 37.9% and 53.6% respectively as compared to Q2 2019.

7. INDUSTRY OVERVIEW (Cont'd)



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- In 2020, the building construction projects undertaken by Tuju Setia Group were mainly in the private sector save for one Government hospital. In the Budget 2021 the Malaysian government has allocated RM31.9 billion for healthcare services, of which RM366 million is to be allocated for the construction of new hospitals (*Source: Ministry of Finance*).

4. PERFORMANCE OF THE PROPERTY DEVELOPMENT INDUSTRY

- As the building construction industry is also dependent on the property development industry, the following section assess the performance of this said industry.

4.1 Residential Property Transactions

Residential Property Transactions*

	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
Malaysia								
Volume (Units)	235,967	203,064	194,684	197,385	209,295	191,354	-1.5%	-1.5%
Value (RM mil)	73,470	65,574	68,463	68,748	72,407	65,874	-2.1%	0.1%
Kuala Lumpur								
Volume (Units)	13,899	11,252	10,856	10,983	11,100	10,606	-1.7%	-1.5%
Value (RM mil)	10,350	8,968	9,963	9,259	8,339	8,238	-5.7%	-2.1%
Selangor								
Volume (Units)	57,827	48,879	47,551	47,715	51,981	44,034	-3.9%	-2.6%
Value (RM mil)	24,869	21,934	22,584	22,983	25,432	21,722	-2.8%	-0.2%

*include sales of new and sub-sale properties. (*Source: National Property Information Centre, NAPIC*)

- In 2020, residential properties accounted for 64.7% of total number of properties transacted in Malaysia. As for Kuala Lumpur and Selangor, residential property transactions accounted for 76.4% and 79.6% of the total number of properties transacted within the respective state and federal territory.
- In Malaysia, residential property transactions decreased in terms of volume and value between 2018 and 2020. Properties priced at RM300,000 and below accounted for at least 61% of the total number of residential properties transacted over the past three years.
- In 2020, residential property transactions in Kuala Lumpur declined by 4.5% and 1.2% in terms of volume and value respectively as compared to the previous year. Properties priced between RM500,001 and RM1.0 million accounted for the largest portion of the residential properties transacted, representing 22.8% of the total number of residential properties transacted in Kuala Lumpur. Between 2018 and 2020, transactions of high-rise residential properties including condominiums, apartments and flats in Kuala Lumpur experienced grew at a CAGR of 1.3% in terms of volume while there was no growth in value.
- In 2020, residential property transactions in Selangor declined by 15.3% and 14.6% in terms of volume and value respectively. Similarly, properties priced between RM500,001 and RM1.0 million accounted for the largest portion of the residential properties transacted, representing 25.2% of the total number of residential properties transacted in Selangor. Between 2018 and 2020, transaction of high-rise residential properties including condominiums, apartments and flats in Selangor declined at an average annual rate of 5.3% and 4.8% in terms of volume and value respectively.
- In 2020, transaction value and volume of residential properties in Kuala Lumpur contracted by 1.2% and 4.5% respectively. Similarly, in 2020, transaction value and volume of residential properties in Selangor also contracted by 14.6% and 15.3% respectively.

7. INDUSTRY OVERVIEW (Cont'd)



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4.2 Commercial Properties Transactions

Commercial Properties Transacted*								
	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
Malaysia								
Volume (Units)	31,776	23,745	22,162	23,936	25,654	20,255	-8.0%	-3.9%
Value (RM mil)	26,400	35,943	25,439	29,514	28,985	19,530	-18.7%	-14.1%
Kuala Lumpur								
Volume (Units)	4,061	3,186	3,238	4,079	3,974	3,074	-13.2%	-0.9%
Value (RM mil)	6,597	19,986	8,468	11,692	8,562	4,785	-36.0%	-30.0%
Selangor								
Volume (Units)	7,472	5,601	5,154	5,431	6,394	4,779	-6.2%	-3.9%
Value (RM mil)	6,894	5,985	6,612	7,058	9,014	5,420	-12.4%	-2.5%

*include sales of new and sub-sale properties. (Source: NAPIC)

- In 2020, commercial properties accounted for 16.4% of the total value of properties transacted in Malaysia. In 2020, Kuala Lumpur and Selangor collectively accounted for 52.3% and 38.8% of the total commercial properties transacted in Malaysia in terms of value and volume respectively. In 2020, commercial properties priced RM500,000 and above accounted for 66.9% and 50.1% of the total number of commercial properties transacted in Kuala Lumpur and Selangor respectively.
- Between 2018 and 2020, transactions of high-rise commercial properties including shopping complexes, purpose-built offices and hotels and service apartments in Kuala Lumpur declined at an average annual rate of 12.1% and 10.8% in terms of value and volume respectively, while transactions of high-rise commercial properties in Selangor grew at a CAGR of 1.5% and 15.4% in terms of value and volume respectively.
- In 2020, transaction value and volume of commercial properties in Kuala Lumpur contracted by 44.1% and 22.7% respectively. Similarly, in 2020 transaction value and volume of commercial properties in Selangor also contracted by 39.9% and 25.3% respectively.

4.3 Future Supply

- Information on the future supply of properties can be used as an indicator of the demand for building construction work. The future supply consists of planned properties with building plan approvals and incoming supply comprising buildings where construction has started but not yet completed. Generally, the main contractor for a construction project will be appointed after the submission and approval of building plans.

Future Supply of Residential Properties and Commercial Units

	Malaysia Supply (units)			Kuala Lumpur Supply (units)			Selangor Supply (units)		
	Incoming	Planned	Future	Incoming	Planned	Future	Incoming	Planned	Future
Residential Properties									
2015	766,582	568,937	1,335,519	33,722	37,864	71,586	151,738	81,787	233,525
2016	511,090	451,913	963,003	31,905	47,565	79,470	119,982	85,608	205,590
2017	480,892	448,199	929,091	40,923	66,215	107,138	121,555	83,621	205,176
2018	467,091	449,685	916,776	37,339	68,389	105,728	110,284	79,698	189,982
2019	443,161	441,309	884,470	46,384	62,665	109,049	103,286	79,836	183,122
2020	434,807	429,985	864,792	53,274	59,798	113,072	102,919	84,531	187,450
CAGR (2018-20)	-3.5%	-2.2%	-2.9%	19.4%	-6.5%	3.4%	-3.4%	3.0%	-0.7%
CAGR (2016-20)	-4.0%	-1.2%	-2.7%	13.7%	5.9%	9.2%	-3.8%	-0.3%	-2.3%

7. INDUSTRY OVERVIEW (Cont'd)



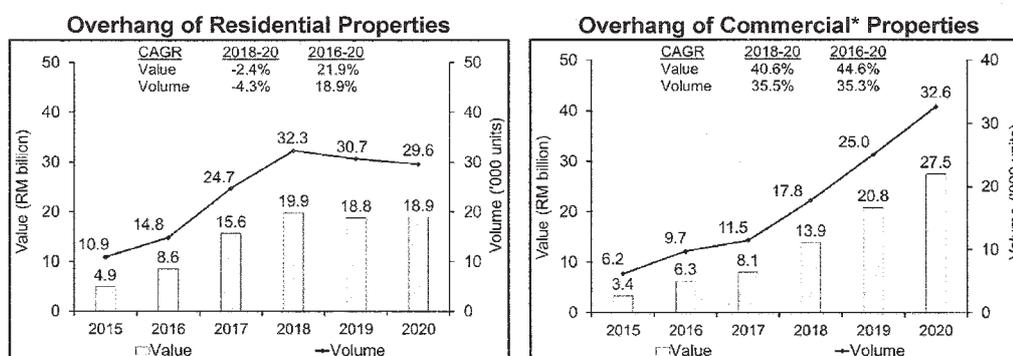
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	Malaysia Supply (units)			Kuala Lumpur Supply (units)			Selangor Supply (units)		
	Incoming	Planned	Future	Incoming	Planned	Future	Incoming	Planned	Future
Commercial Units									
2015	141,091	85,186	226,277	34,778	37,340	72,118	43,277	11,138	54,415
2016	172,152	116,266	288,418	42,969	45,475	88,444	50,071	16,772	66,843
2017	175,411	152,998	328,409	37,037	70,988	108,025	68,812	21,771	90,583
2018	113,418	209,919	323,337	3,962	89,528	93,490	56,388	34,016	90,404
2019	147,405	198,724	346,129	45,617	88,900	134,517	56,923	21,792	78,715
2020	164,871	182,242	347,113	55,934	75,652	131,586	63,093	23,978	87,071
CAGR (2018-20)	20.6%	-6.8%	3.6%	275.7%	-8.1%	18.6%	5.8%	-16.0%	-1.9%
CAGR (2016-20)	-1.1%	11.9%	4.7%	6.8%	13.6%	10.4%	5.9%	9.3%	6.8%

Commercial units include serviced apartments, small office home office (SOHO) and purpose-built offices, which are mainly high-rise buildings; Future supply = incoming supply + planned supply. (Source: NAPIC)

- Overall, the future supply of residential properties declined between 2018 and 2020 in Malaysia and Selangor, while Kuala Lumpur increased, whereas the future supply of commercial units in Malaysia and Kuala Lumpur continued to increase, while Selangor decreased. Increase in future supply of commercial units including serviced apartments, SOHO and purpose-built offices which are high rise buildings, indicates that this would continue to provide opportunities for operators who are focusing in the construction of high-rise buildings. As of 2020, the future supply of high-rise residential properties in Malaysia stood at 375,167 units, of which 111,795 units and 82,982 units were from Kuala Lumpur and Selangor. As of 2020, the future supply of high-rise commercial properties in Malaysia stood at 347,113 units, inclusive of 131,586 units from Kuala Lumpur and 87,071 units from Selangor.

4.4 Overhang Properties



*includes shops, SoHo and serviced apartment. (Source: NAPIC)

- Overhang properties are defined as properties which have been completed yet remained unsold for more than nine months after they were launched. A high level of overhang properties will likely dampen activities in building construction as developers may be discouraged from developing new properties until such time the overhang situation improves.
- In 2020, residential property overhang in Malaysia increased by 0.5% in value and decreased by 3.6% in volume. The majority of the overhang units comprised condominiums and apartments. In contrast, the overhang of commercial properties in Malaysia increased at a CAGR of 44.6% and 35.3% in terms of value and volume respectively between 2016 and 2020. Serviced apartments accounted for 72.3% of the total number of commercial overhang, followed by shops and SOHO which accounted for 21.2% and 6.5% respectively in Malaysia. In 2020, commercial property overhang in Malaysia increased by 32.2% and 30.3% in terms of value and volume respectively.
- In 2020, Malaysia had approximately 15,900 units of overhang high-rise residential properties valued at RM8.2 billion. Of this, 18.7% and 17.6% were from Kuala Lumpur and Selangor respectively. As for commercial properties, Malaysia had approximately 25,700 units of overhang high-rise commercial

7. INDUSTRY OVERVIEW (Cont'd)



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properties valued at RM21.9 billion in 2020. Of this, 18.2% and 13.0% were from Kuala Lumpur and Selangor respectively.

- In 2020, Johor has the highest proportion of overhang properties in terms of volume. This was contributed by serviced apartments, which accounted for 69.7% of the total volume of serviced apartment overhang in Malaysia. This was followed by Kuala Lumpur and Selangor which accounted for 18.7% and 8.2% of the total volume of serviced apartment overhang in Malaysia respectively. Overall, in Malaysia, serviced apartments priced between the categories of RM1.0 million and above, and RM600,001 and RM800,000 accounted for 30.4% and 29.8% of the total volume of serviced apartment overhang in 2020 respectively.
- Between 2018 and 2020, residential property overhang in Kuala Lumpur increased at a CAGR of 4.3% and 4.5% in terms of value and volume respectively. Similarly, residential property overhang in Selangor increased at a CAGR of 1.0% and 2.1% in terms of value and volume respectively. In 2020, the residential property overhang in Kuala Lumpur increased by 12.1% and 16.0% in terms of value and volume respectively. Meanwhile, residential property overhang in Selangor increased by 14.3% and 4.3% in terms of value and volume respectively. Between 2018 and 2020, the high-rise residential property overhang in Kuala Lumpur increased at a CAGR of 5.9% and 5.1% by value and volume respectively. Similarly, high-rise residential properties in Selangor increased at a CAGR of 19.0% and 20.6% by value and volume respectively.
- Between 2018 and 2020, commercial property overhang in Kuala Lumpur increased at a CAGR of 50.9% and 51.5% in terms of value and volume. Similarly, commercial property overhang in Selangor increased at a CAGR of 20.1% and 31.4% in terms of value and volume respectively. In 2020, the commercial property overhang in Kuala Lumpur increased by 102.4% and 86.2% in value and volume respectively, while commercial property overhang in Selangor increased by 3.0% and 6.9% in value and volume respectively. Between 2018 and 2020, the high-rise commercial property overhang in Kuala Lumpur increased at a CAGR of 49.8% and 50.5% by value and volume respectively. Similarly, high-rise commercial properties in Selangor increased at a CAGR of 36.3% and 38.6% by value and volume respectively.

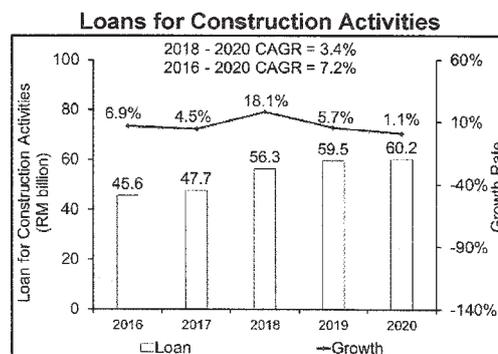
5. DEMAND DEPENDENCIES

5.1 Monetary and fiscal policies

- Monetary and fiscal policies including interest rates, money supply, lending policies, balance of payments, and consumer price index, where low interest rates and favourable lending policies will stimulate development and purchases of properties. Government initiatives including 11th Malaysia Plan, Economic Transformation Programmes, Government Transformation Programmes, Corridors Transformation Programmes, and affordable housing schemes will stimulate investment and development of infrastructure, public facilities and amenities, as well as demand for properties.

5.2 Availability of Loans for Construction

- Performance of the construction industry is dependent on the availability of loans to fund construction activities. Availability of loans are dependent on factors such as liquidity in the market, financial institutions' internal lending policies, the Government and Bank Negara Malaysia's policies and guidelines. Between 2018 and 2020, loans for construction activities grew at a CAGR of 3.4% which provides cash liquidity for companies to carry out construction works.



(Source: BNM)

7. INDUSTRY OVERVIEW (Cont'd)



VITAL FACTOR CONSULTING

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5.3 Government Initiatives

- The Malaysia government has implemented various affordable housing schemes that will benefit the construction industry. For the Financial Years Review, Tuju Setia Group has been involved in the building construction of affordable apartments under the PPAM and RUMAWIP programme.
- In the Budget 2021, the Government continued to promote home ownership through the following initiatives:
 - Extension of full stamp duty exemption on instruments of transfer and loan agreements for first time home buyers up to 31 December 2025;
 - Five-year extension of stamp duty exemption on loan agreements and instruments of transfer to rescuing contractors and original house purchasers for abandoned housing projects that are certified by the Ministry of Housing and Local Government;
 - RM1.2 billion provision for the construction of comfortable and quality housing for the low income group. This includes the construction of affordable housing under the PPR, RMR and PPAM programmes, as well as maintenance and upgrade of old houses and those that are damaged by natural disasters.
- Following the enforcement of MCO to contain the spread of COVID-19, several Economic Stimulus Packages were introduced by the Government to facilitate economic recovery. Some of the strategies tabled in the Economic Stimulus Package include the following:
 - Allocation of RM2 billion for the implementation of small infrastructure repair and upgrading projects nationwide especially in rural areas which commenced in April 2020. This includes infrastructure projects in Felda and other areas as well as upgrading of dilapidated schools in Sabah and Sarawak and the Perumahan Rakyat Termiskin;
 - Allocation of RM2 billion for road improvements, upgrading of dilapidated schools in Sabah and Sarawak, cleaning houses of worship and police stations as well as upgrading tourism facilities that will benefit contractors registered with CIDB from Grade 1 to Grade 4; and
 - Continuation of the implementation of projects allocated in the Budget 2020 including ECRL, MRT2, and the National Fiberisation and Connectivity Plan.

 People's Housing Program (PPR) Target Group All Malaysians Eligibility: Monthly household income below RM3,000 House Price Peninsular Malaysia RM35,000 Sabah & Sarawak RM42,000	 People's Friendly Home (RMR) Target Group All Malaysians Eligibility: Monthly household income between RM750 and RM3,000 House Price RM45,000 to RM65,000	 Federal Territories Affordable Housing (RUMAWIP) Target Group Citizen of Wilayah Persekutuan Eligibility: Monthly household income below RM15,000 House Price RM63,000 to RM300,000
 PRIMA MY HOME, MY COMMUNITY 1Malaysia People's Housing (PRIMA) Target Group All Malaysians Eligibility: Monthly household income between RM2,500 and RM15,000 House Price RM100,000 to RM400,000	 MyHome Affordable Home Ownership (MyHome) Target Group All Malaysians Eligibility: Monthly household income between RM3,000 and RM6,000 House Price RM50,000 to RM220,000	 PPAM Malaysia Civil Servants Housing (PPAM) Target Group Public Servants Eligibility: Monthly individual income below RM10,000 House Price RM90,000 to RM300,000

6. COMPETITIVE ANALYSIS

6.1 Factors of competition

- The construction industry operates within a free enterprise environment where supply, demand and pricing of products and services are mainly determined by market forces rather than under Government's control. As such, some of the key competitive forces faced by operators within the construction industry in Malaysia are as follows:
 - Number of operators in the industry:** The number of operators affect the intensity of competition. Operators are required to register with CIDB under a grading system from Grade 1 to Grade 7. Each grade has prequalifying conditions and the maximum value of projects that operators in that grade are allowed to carry out. Grade 7 has the most stringent conditions with no limit to the value of projects. As of March 2021, there were a total of 122,860 building contractors of all grades in the construction industry, while there were 8,857 Grade 7 building contractors in Malaysia. Out of a total of 122,860 building contractors in Malaysia, there were 2,446 and 2,311 Grade 7 building contractors that were registered with CIDB in Kuala Lumpur and Selangor respectively. Moreover, there were 911 CIDB registered building contractors under the specialisation of construction work for hospitals, of which 563 were Grade 7 contractors. Out of a total of 911 building contractors specialised in construction of hospitals, there were 129 and 152 Grade 7 contractors that were registered with CIDB in Kuala Lumpur and Selangor respectively. Tuju Setia Group is a CIDB Grade 7 building construction contractor.

7. INDUSTRY OVERVIEW (Cont'd)



VITAL FACTOR CONSULTING

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- **Number and value of construction projects available:** The size of the construction market in terms of number and value of projects, relative to the number of operators in the market has a bearing on competitive intensity. As the construction industry in Malaysia is expected to recover in 2021 with an estimated real GDP growth of 13.9%, this will continue to support operators in the market. In 2020, the value of construction work completed for the residential and non-residential sectors in Federal Territories amounted to RM8.0 billion and RM8.1 billion respectively, while for Selangor, they amounted to RM8.5 billion and RM7.9 billion respectively. In 2020, the total value of construction work completed in Malaysia was RM117.9 billion, where building construction (including non-residential and residential), civil engineering and specialised construction segments accounted for 51.5%, 42.3% and 6.2% respectively. Out of the total RM60.7 billion of building construction work completed in 2020, RM16.4 billion and RM16.1 billion were from Selangor and Federal Territories respectively.
- **Track record, reputation and financial strength of operators:** Operators with an established track record would be in a stronger position to secure contracts. Financial strength is also an important factor as operators must have sufficient financial resources to secure performance bonds and sufficient working capital to carry out construction activities.

6.2 Industry Players

The following is a selection of the public listed companies that are involved in the building construction industry in Malaysia, and Tuju Setia Group. The list is sorted in descending order of Group revenue.

Company Name	Project Location			FYE ⁽¹⁾	Group Rev ⁽²⁾ (RM mil)	Segment Rev ⁽³⁾ (RM mil)	Group GP ⁽²⁾ (RM mil)	Group NP ⁽²⁾ (RM mil)	GP Margin (%)	NP Margin (%)
	KL	Sel	Other States							
WCT Holdings Bhd ^{(4)#}	✓	✓	✓	Dec'20 [^]	1,708.7	1,257.1	279.3	-184.5	16.4	-10.8
Sunway Construction Group Bhd ^{(5) #}	✓	✓	✓	Dec'20 [^]	1,552.7	1,455.2	N/A	73.3	N/A	4.7
Kerjaya Prospek Group Bhd ⁽⁶⁾	✓	✓	✓	Dec'20 [^]	811.0	807.8	134.5	90.6	16.6	11.2
Vizione Holdings Bhd ^{(7) #}	✓	✓	✓	Nov'20 ^{^(7)}	407.6	n.a	27.4	-8.9	6.7	-2.2
GDB Holdings Bhd ^{*(8)}	✓	✓	✓	Dec'20 [^]	362.8	n.a	42.0	24.5	11.6	6.8
Inta Bina Group Bhd ⁽⁹⁾	✓	✓	✓	Dec'20 [^]	280.3	n.a	26.6	8.1	9.5	2.9
Tuju Setia Group[#]	✓	✓	✓	Dec'20	255.8	n.a	23.3	16.3	9.1	6.4
TCS Group Holdings Bhd ^{*(10)}	✓	✓	✓	Dec'20 [^]	242.6	n.a	41.8	16.2	17.2	6.7
Gagasan Nadi Cergas Bhd ^{*(11) #}	✓		✓	Dec'20 [^]	206.9	163.1	N/A	11.2	N/A	5.4
Rimbaco Group Global Ltd ^{*(12) #}			✓	Oct'20	180.3	n.a	22.7	6.2	12.6	3.4

KL= Kuala Lumpur; Sel= Selangor; FYE= Financial Year Ended; Rev= Revenue; GP= Group Gross Profit; NP= Group Net Profit; Bhd= Berhad; Ltd= Limited; n.a.= not applicable; N/A = not available; *Listed on Bursa Securities between 2018 and 2020. # = also involved in construction of hospital. ^ = based on unaudited financial statements announced on Bursa Malaysia Berhad's website. Note: All companies above are listed on Bursa Securities except for Rimbaco Group Global Limited, a construction company based in Malaysia which is listed on the Hong Kong Stock Exchange.

- (1) Latest available financial information from annual reports or unaudited financial statements announced on Bursa Malaysia Berhad's website and financial information from Tuju Setia Group.
- (2) Derived from construction activities and may include other business activities.
- (3) Segment revenue derived from construction activities.
- (4) Involved in construction of residential, commercial and purpose-built properties. Other business activities include property development as well as property investment and management.
- (5) Involved in construction of residential, commercial, purpose-built, and industrial properties. Other business activities include manufacture of precast concrete.
- (6) Involved in construction of mainly residential and commercial properties. Other business activities include manufacturing of light fittings, furniture, kitchen cabinetry and related products, property development, as well as investment holdings.
- (7) Involved in construction of residential, commercials, purpose-built, and industrial properties. Other business activities include infrastructure construction and property development. Financial statements were based on 18-month FYE 30 November 2020.
- (8) Involved in construction of residential, commercial and purpose-built properties.
- (9) Involved in construction of residential and commercial properties.
- (10) Involved in construction of residential, commercial and purpose-built buildings, and civil and structural works.
- (11) Involved in the construction of residential, commercial and purpose-built properties. Other business activities include concession and facility management, utility, property development and others.
- (12) Involved in construction of residential, commercial, purpose-built and industrial properties.

7. INDUSTRY OVERVIEW (Cont'd)



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The above list of companies was selected based on public listed companies mainly involved in building construction activities including companies listed between 2018 and 2020 and/or involved in at least one building project in Kuala Lumpur and/or Selangor; and revenue must be RM100 million and above.

- The methodology used to compile the above list of companies was based on secondary market research, such as annual reports, company websites and Bursa Securities. As it is not practicable to list all companies, the above companies are used to provide an indication of the performance of companies involved in the construction of residential, and non-residential properties. The above list of companies is not exhaustive and the companies may also carry out other activities.

6.3 Market Size and Share

- Market size of the construction industry and the share of Tuju Setia Group are estimated as follows:

Construction Industry	Malaysia	Tuju Setia Group	
	2020 Market Size ⁽¹⁾ (RM million)	FYE 2020 Revenue in Malaysia (RM million)	2020 Market share in Malaysia ⁽²⁾
Non-residential construction	31,126.6	153.6 ⁽³⁾	Less than 1%
Residential construction	29,608.8	102.2	Less than 1%

Construction Industry	KL/Sel	Tuju Setia Group	
	2020 Market Size ⁽¹⁾ (RM million)	FYE 2020 Revenue in KL/Sel (RM million)	2020 Market share in KL/Sel ⁽²⁾
Non-residential construction	15,950.9	153.6 ⁽³⁾	1%
Residential construction	16,481.6	101.5	Less than 1%

KL/Sel = aggregation of Kuala Lumpur and Selangor.

(1) Market size is based on value of construction work completed in Malaysia or KL/Sel (*Source: CIDB*).

(2) The market share of Tuju Setia Group was computed by dividing Tuju Setia Group's revenue by the market size of the respective construction segments. (*Source: Tuju Setia Group and Vital Factor Analysis*)

(3) Under the non-residential construction segment, the revenue of Tuju Setia Group comprised revenue from construction of non-residential buildings as well as design and construction of hospital.

7. INDUSTRY CONSIDERATION FACTORS

- The construction industry is dependent upon, among others, the recovery of Malaysia's economy from the on-going COVID-19 pandemic, and other local and global factors. Considerations also include performance of the Malaysia property market predicated by supply, demand and overhang conditions, and socio-economic factors such as interest rates, unemployment rates, lending policies, business confidence and consumer sentiments.
- According to Bank Negara Malaysia, Malaysia's economy is expected to gradually improve from the second quarter of 2021 onwards underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. This will be supported by growth factors including large public projects such as MRT, and high multiplier smaller projects, as well as recovery on commodity production. Some of the construction related activities that is expected to contribute to the improvement in Malaysia's economy includes the continuation of large-scale infrastructure projects namely MRT2, LRT3, Pan Borneo Highway, East Coast Rail Link project, Johor Bahru-Singapore rapid transit system, National Fiberisation and Connectivity Plan, ramp-up of upstream and downstream oil and gas projects, and power generation projects. This will be supported by the Malaysian Government's economic stimulus packages including the Prihatin Rakyat Economic Stimulus (PRIHATIN) with an allocation of RM250 billion, Prihatin SME Economic Stimulus Package (PRIHATIN SME+) with an allocation of RM10 billion, Short Term Economic Recovery Plan (PENJANA) with allocation of an RM35 billion, PRIHATIN Supplementary Initiative Package (Kita Prihatin) with an allocation of RM10 billion, Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) assistance package with an allocation of RM15 billion and the People and Economic Strategic Empowerment Programme (PEMERKASA) with an allocation of RM20 billion.

8. RISK FACTORS

8.1 RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP**8.1.1 Our financial performance is dependent on our ability to secure new projects and ensure the continuity of our order book**

Our financial performance depends on our ability to secure new projects to sustain our order book. If we are unable to do so, our order book will decline and this would adversely affect our sustainability and future financial performance. As the nature of our construction business is project-based, there is a risk that that we would not be able to continuously secure new projects, nor can we assure that the new projects we secure will be commercially favourable to us.

As at the LPD, our order book stood at RM953.08 million, the details of which are disclosed in Section 11.5 of this Prospectus. Our financial performance will be adversely affected if any of the projects in our order book are cancelled, delayed or postponed, and if we are unable to secure new projects as replacements for such cancellations, delays or postponement.

Save as disclosed under Section 6.4.14 of this Prospectus, we have not experienced any of the above situations during the Financial Years Under Review and up to the LPD. However, there is no assurance that we would not experience any of these situations in the future.

8.1.2 We may face unanticipated increases in the cost of construction for our projects including the cost of construction materials

Any unanticipated increases in the cost of construction for our projects may materially and adversely affect our business and financial performance. The increases in costs could arise from among others, cost of subcontractor services, labour cost, construction materials, overheads, all of which could adversely affect our profit margin. Cost of subcontractor services accounted for the largest component of our purchases of input materials and services. For FYE 2017, FYE 2018, FYE 2019 and FYE 2020, cost of subcontractor services accounted for 65.27%, 71.35%, 77.79% and 77.76% of our total purchases of input materials and services, respectively. This is followed by the cost of construction materials which accounted for 31.61%, 26.03%, 19.45% and 19.24% of our purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively.

In addition, steel materials and concrete and cement materials constitute two of the most significant construction materials for our construction operations and these materials are commodities that are subject to global market prices, therefore any unfavourable fluctuations in the cost of these materials may negatively impact our profit margin. There is no assurance that our business and financial performance would not be adversely affected by unanticipated increases in the cost of construction for our projects.

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8. RISK FACTORS (Cont'd)

8.1.3 Our business operations and financial performance may be adversely affected if the COVID-19 pandemic is prolonged

The spread or outbreak of COVID-19 pandemic or any contagious or virulent diseases may potentially affect our construction operations. If any of our employees do not comply with our SOP and are inadvertently infected with COVID-19 or any other contagious or virulent diseases, we may be required to temporarily shut down our construction operations for a period of time as advised by the Ministry of Health, Malaysia before we are allowed to resume our construction operations.

The Malaysian Government had imposed the MCO commencing from 18 March 2020 which resulted in the temporary suspension of our business operations as well as our on-going construction projects. After multiple extensions of the MCO, there was a gradual easing of restrictions which permitted certain economic sectors to resume operations beginning the 4 May 2020 under a conditional MCO up to 9 June 2020 and thereafter, recovery MCO up to 31 March 2021 although the MCO was re-imposed in all federal territories and most of the states in Malaysia for different durations since January 2021. Following the conditional MCO, we obtained approval from MITI on 19 April 2020 to resume our operations on 4 May 2020 by adhering to the standard operating procedures specified by the relevant authorities.

As we could not progress with our construction projects during the MCO period, our billings to customers have been delayed and as a result, we experienced a delay in our collection of receivables. However, this did not materially affect our business operations and cash flow position. Although we resumed our on-site construction operations on 4 May 2020 and issued our progress billings to customers based on work completed, we cannot provide any assurance that we may be able to collect our trade receivables on time. In the event that our customers are unable to settle their receivables, we may be exposed to the risk of non-recoverability of the said receivables.

We did not incur any cost in subcontractor works or cost of construction materials save for the rental of machinery during the period of suspension, however we continued to incur administrative expenses relating to staff costs, depreciation expenses and finance cost. As a result of the temporary suspension of our on-going construction projects, there is also the risk that we may incur liquidated damages claims from our customers in the event they do not grant us an extension of time for us to complete our on-going projects.

As for our construction projects, we did not experience any reduction in original scope of works or cancellation of our construction projects due to the COVID-19 pandemic. As at the LPD, we have received approvals for extension of time for the Mutiara Central Project, PPAM Sofiya Residensi Project, Kajang Women and Children Hospital Project and Emerald Hills (Phase 3) Project. Nevertheless, we cannot provide any assurance that our on-going projects would not be subject to further delays or cancellation due to the COVID-19 pandemic. Although we have resumed our business operations, the operating environment has changed since the COVID-19 pandemic with the need to adhere to SOPs. Any deterioration in the conditions of the COVID-19 pandemic may result in a reinstatement of the MCO including targeted enhanced MCO in a specific location, which would potentially interrupt and/or suspend our construction operations. This would adversely impact our business and financial conditions. Please refer to Section 6.4.14 of this Prospectus for details of the SOP and the impact on our business operations due to the COVID-19 pandemic.

In addition, we may also face delays in implementing our business strategies and capital expenditure in accordance with the expected timeline as set out in Section 6.8 of this Prospectus, due to the COVID-19 pandemic. Failure to implement our business strategies in a timely manner may adversely affect our future business and financial performance.

8. RISK FACTORS (Cont'd)

8.1.4 We are dependent on our Directors and key senior management for the continuing success of our Group

The continuing success of our Group's business is dependent on the efforts, commitment and abilities of our Managing Director, Wee Eng Kong and our Non-Executive Director, Dato' Wee Beng Aun. Wee Eng Kong and Dato' Wee Beng Aun are also the substantial shareholders and promoters of our Group. Both of them are experienced in the industries we operate in and have been instrumental in our growth and expansion. They also play a key role in helping us to maintain good relationships with our customers, suppliers and subcontractors.

They are supported by our Executive Director, Wee Beng Chuan and key senior management who have extensive knowledge and experience in our business and play a significant role in our day-to-day operations as well as the implementation of our business strategies. Please refer to Sections 5.1.2 and 5.2.8 of this Prospectus for further details on our Directors and key senior management.

Given the above, the loss of their services without any suitable and prompt replacement may adversely impact our business and financial performance.

8.1.5 We are dependent on our subcontractors for labour supply as well as subcontractors to carry out quality building and construction works and we rely on them to adhere to health and safety regulations

For the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, subcontractor services accounted for 65.27%, 71.35%, 77.79% and 77.76% of our purchases of input materials and services for our construction operations. In the event that we are unable to engage subcontractors at terms and costs that are favourable to our Group, our cost of construction would increase and this would adversely affect our financial performance and profitability.

We engage subcontractors for a number of services including building and construction works, M&E, earthworks, infrastructure works, and as tower crane operators. From that perspective, we are dependent on our subcontractors to perform their works and deliver their services to the best of their ability and in a timely manner. In the event they deliver any substandard work to us or are unable to deliver their services in a timely manner, there is a risk that we will be liable for any compensations to the customer resulting from our subcontractors' non-performance, late performance or poor performance. Furthermore, we are reliant on our subcontractors for their adherence to health and safety regulations. In the event that our subcontractors do not comply for whatsoever reason, we would be responsible for any misconduct, injuries, fatal accidents or safety issues to the workers, which may lead to stop work orders, suspension of the project, claims or other legal proceedings against our Group. As at the LPD, we have encountered one accident at our construction site, which involved the loss of life of a worker of a subcontractor due to non-compliance by the sub-contractor. Nonetheless as the main contractor for the project, we were also responsible for the accident which resulted in us paying a penalty of RM40,000.

While we may attempt to seek compensation from the relevant subcontractors, we may be required to compensate our customers prior to receiving compensation from subcontractors. In the event we are unable to seek compensation from subcontractors or the amount of the claims cannot be recovered in full or at all from the subcontractors, we may be required to bear some or all of the costs of the claims. These additional costs will increase our overall construction costs and may adversely impact our financial performance. Additionally, failure to resolve any disputes relating to work performed by our subcontractors, may lead to legal lawsuits with our subcontractors, which would adversely affect our reputation with our customers and may impact our financial performance.

8. RISK FACTORS (Cont'd)

There would be additional costs if our subcontractors are unable to hire an adequate supply of workers for any reason including changes in Government policy on foreign labour intake or conditions, our subcontractors would face difficulty in carrying out our building and construction projects efficiently. This would affect our ability to meet delivery schedules which may result in a delay in the completion of our projects.

We have not experienced delays by our subcontractors arising from shortage of workers for the Financial Years Under Review and up to the LPD. In the event that there is any shortage of workers from our subcontractors, this will affect our ability to meet our project requirements which may result in a delay in the completion of our projects.

8.1.6 Our business operations may be exposed to liquidity risk as a result of delay in collection or non-recoverability of trade receivables

At present, the credit terms granted to our customers range from 30 to 60 days. Our net average trade receivables turnover period (excluding retention sums) during the Financial Years Under Review were 57 days, 72 days, 57 days and 66 days, respectively. An extended delay in payment from our customers, or failure to collect our retention fees, may have a material and adverse effect on our cash flow and working capital. Furthermore, the process to recover various payments due can be time-consuming and may require additional resources. Our inability to collect trade receivables and / or our retention fees on a timely basis could materially and adversely affect our business, financial condition, results of operations and liquidity. Further details on our trade receivable turnover period is set out in Section 11.4.9 of this Prospectus.

Additionally if our customers delay or default on payment, we will have to make allowance for impairment on uncollectible trade receivables or may be required to write-off uncollectible trade receivables as bad debts, which may adversely affect our financial performance. In FYE 2019, we recorded a net loss on impairment of financial assets and contract assets of RM10.45 million representing partial provision of outstanding receivables of RM20.60 million from a single customer, which was under litigation. In FYE 2020, the settlement terms in relation to the litigation was entered into with the customer and a net gain on impairment of financial assets and contract assets of RM6.03 million was recorded in FYE 2020. Please refer to Sections 11.3.3(f) and 13.6 of this Prospectus for details on the net loss on impairment of financial instruments and contract assets and the litigation, respectively.

8.1.7 We are subject to the risks of defect liability claims from our customers

The defect liability period of our construction projects ranges from 18 months up to 30 months from the official handover date of our completed projects to our customers. During the defect liability period, we are liable for any repair work, reconstruction or rectification of any defects attributable to the construction works including works carried out by our subcontractors, which may be identified during this period at our own costs. A high number of defects would result in additional rectification costs incurred, which may consequently have an adverse impact on our profitability.

For the Financial Years Under Review and up to LPD, we have not experienced any defect liability claims against us for our construction works as well as the works of our subcontractors. Although we endeavour to maintain the quality of our construction works, there is no assurance that we would not experience any defect liability claims in the future or that these claims would not adversely impact our profitability.

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8. RISK FACTORS (Cont'd)**8.1.8 Our projects may be subjected to delays resulting in the risk of claims relating to liquidated ascertained damages**

We are subject to certain agreed timelines and budgets for our construction projects. Any delays in the timeline will result in project cost overruns, as well as the risk of potential liquidated damages claims from our customers. Failure to complete a project on time may be due to various factors including among others, delay in obtaining permits or approvals from regulatory authorities, unforeseen issues relating to engineering, safety or site conditions, adverse weather conditions, failure of subcontractors in meeting their obligations, shortage of raw materials or labour and changes in government policies relating to foreign labour.

Since commencement of the business in 2006, all of our projects were completed without any delays and we incurred no LAD, save for one project. We incurred LAD of RM0.51 million for the project in FYE 2015 due to the delay in completion of M&E works by the NSCs and RM0.21 million of the LAD was set off against the amount due to the related NSCs. Nevertheless, there is no assurance that we will be able to continuously complete our construction projects on time and in the event of a delay in completion, our business and financial performance may be adversely affected by liquidated damages claims imposed by our customers.

8.1.9 We are subject to the risk of insurance claims against our assets, employees and construction projects

We are exposed to operational risks including accidents at the project sites as well as physical damages to our construction machinery and equipment. As part of our operational practice, we have maintained a certain level of insurance policies, among others, contractors' all risks and workmen's compensation for each of our ongoing projects, coverage for machinery and equipment, fire, flood and burglary. However, these insurance policies undertaken may be insufficient to cover all the risks that are associated with our business operations. Any losses or damages in excess of our insured limits or in areas for which we are not insured at all could have an adverse effect on our business operations, financial performance and results of operations. For the Financial Years Under Review and up to the LPD, there has been no material insurance claims against us.

The contractors' all risks and workmen's compensation insurance policies are dependent on our contract requirements. As at the LPD, the total sum insured from these insurance policies is RM1.06 billion. While we have insurance coverage for various aspects of our business, there is no assurance that it is sufficient to cover all the losses, damages or liabilities that we may suffer in the course of our business operations.

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8. RISK FACTORS (Cont'd)

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are exposed to the inherent risks in the construction industry

Our Group mainly serves private sector projects which accounted for 100.00%, 99.54%, 94.58% and 80.49% of our total revenue for FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively. Meanwhile, government sector projects accounted for 0.46%, 5.42% and 19.51% of our Group's revenue for FYE 2018, FYE 2019 and FYE 2020, respectively. Private sector projects included residential and non-residential buildings, while government sector projects included a government hospital.

As we will continue to serve these sectors, our business is subject to the inherent risks in the construction industry which includes, among others, the following:-

- (i) general economic conditions, where a slowdown in the economy may cause the following:-
 - increase in unemployment, low or no wage increases, reduction in consumer wealth and reduced consumer confidence resulting in reduced demand for property purchases;
 - slowdown in commercial and industrial activities resulting in lower demand for commercial and industrial properties;
- (ii) performance of the property market including property overhang where unsold properties in residential and commercial properties may slow down new property developments;
- (iii) shortage of labour and increases in labour cost resulting in delays in construction and higher construction costs;
- (iv) increase in cost of construction materials may result in lower margins for construction companies and higher priced constructions and buildings including residential, commercial and industrial properties as well as infrastructure and community projects;
- (v) changes in lending policies and practices by financial institutions would affect property developers and infrastructure owners' ability to obtain adequate funds for construction, as well as affect the access to loans for the purchases of residential, commercial and industrial properties; and
- (vi) government initiatives and budget allocation for infrastructure developments, which would stimulate business activities in the construction industry.

Furthermore, the increase in the number of unsold residential and commercial properties in Malaysia may adversely impact new property developments which may ultimately affect the demand for construction services. The volume of unsold residential properties in Malaysia declined at an average annual rate of 4.3% while unsold commercial properties increased at a CAGR of 35.5% between 2018 and 2020. In 2020, the volume of unsold residential properties in Malaysia decreased by 3.6% while volume of unsold commercial properties increased by 30.3% as compared to 2019. In Selangor, the volume of unsold residential and commercial properties increased at a CAGR of 2.1% and 31.4%, respectively, between 2018 and 2020. In 2020, the volume of unsold residential properties in Selangor decreased by 4.3% while volume of unsold commercial properties increased by 6.9% as compared to 2019. In Kuala Lumpur, the volume of unsold residential and commercial properties increased at a CAGR of 4.5% and 51.5%, respectively, between 2018 and 2020. In 2020, the volume of unsold residential and commercial properties in Kuala Lumpur increased by 16.0% and 86.2% respectively, as compared to 2019. (Source: *Industry Overview*). Our business and financial performance may be adversely affected if the performance in the property market continues to be weighed down by oversupply conditions.

8. RISK FACTORS (Cont'd)

In the event of any unfavourable changes in conditions that govern or affect the construction industry, our financial performance may be adversely affected.

8.2.2 We are subject to competition from other construction companies

We are registered with CIDB under Grade G7 contractor which enables us to undertake contracts without any restrictions on the contract value. As at March 2021, there was an estimated 8,857 Grade G7 building construction companies that are registered with the CIDB. (*Source: Industry Overview*). Our competitors may have longer operating track record and more resources in term of capital, machinery and manpower as compared to our Group. The existence of competition would also result in competitive pressure on various aspects including pricing and timing of completion. In the event that we are unable to remain competitive in these aspects or to build on our competitive advantages and key strengths going forward, our prospects and financial performance may be adversely affected.

8.2.3 We are subject to economic, social, political and regulatory risks in Malaysia as well as global pandemic risks

Any changes in the political, economic and regulatory conditions in Malaysia could adversely affect our financial performance. Our business is also susceptible to the risks of any outbreak of diseases that could result in localised epidemics or pandemics causing interruptions in our operations while adversely affecting our financial performance. Please refer to Section 8.1.3 of this Prospectus for further details on the adverse impact of the COVID-19 pandemic.

Changes in the political, social, economic and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, regulatory structures and outbreak of diseases. Similarly, any global or regional economic downturn would also affect overall business and consumer confidence, sentiments as well as investments, which would subsequently affect the demand for our services. As a result, this may cause our customers to revise, defer, halt or abandon their development or expansion plans. There can be no assurance that any adverse political, social, regulatory, economic developments or outbreak of diseases which are beyond our control, will not materially affect our financial performance or the performance of the construction industry in Malaysia.

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8. RISK FACTORS (Cont'd)

8.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

8.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no prior public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market of Bursa Securities upon our Listing and the market price of our Shares will not decline below the IPO Price.

8.3.2 Our Share price and trading volume may be volatile

The trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include material variations in our results and operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. Market sentiment is also induced by factors such as the prevailing economic and political conditions of the country, and the potential for growth in various sectors of the economy. Other factors that may negatively affect investor sentiment more generally include natural disasters, health epidemics and outbreaks of contagious diseases. These factors contribute to the volatility of trading volumes on Bursa Securities, and of the market price of our Shares.

8.3.3 There is no assurance of payment of dividends to our shareholders

It is the intention of our Board to recommend and distribute a dividend of 25% of the profit attributable to the owners of the Company. However, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. In addition, our subsidiary has entered into facility agreements which contain certain financial covenants restricting our ability to pay dividends. If our subsidiary is in breach of any of these covenants, it may affect our ability to pay dividends. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Please refer to Section 11.8 of this Prospectus for further information on our dividend policy.

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8. RISK FACTORS (Cont'd)**8.3.4 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders**

As disclosed in Section 5.1.1 of this Prospectus, our Promoters will collectively hold in aggregate approximately 66.23% of our enlarged issued share capital upon Listing. As a result, they will be able to effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends and influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and / or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters will always be aligned with those of our shareholders.

8.3.5 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 316,828,700 Shares, of which up to 107,000,000 Shares, will be held by investors participating in our Listing (representing 33.77% of our enlarged issued share capital) and not less than 66.23% will be held by the Promoters and substantial shareholders via their direct interests in our Company. Our Shares offered pursuant to our Listing will be tradable on the Main Market of Bursa Securities following the Listing.

Notwithstanding our existing level of cash and cash equivalents, we may issue additional Shares in connection with our financing activities or otherwise. In addition, the Promoters and substantial shareholders could dispose of some or all of our Shares that they hold after the moratorium period pursuant to their own investment objectives. If the Promoters and substantial shareholders sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

8.3.6 Failure or potential delay in our Listing

The occurrence of certain events, including the following, may cause a delay in, or failure of, our Listing:-

- (i) the Joint Underwriters exercising their rights under the Underwriting Agreement to discharge themselves of their obligations under such agreement;
- (ii) our inability to meet the minimum public spread requirement under the Listing Requirements, i.e. at least 25% of the total number of our Shares for which our Listing is sought to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or
- (iii) the revocation of the approvals from the relevant authorities prior to our Listing and / or admission for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and our Company shall refund all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

8. RISK FACTORS (Cont'd)

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, the Company shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:-
 - (aa) the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (bb) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

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