

11. FINANCIAL INFORMATION**11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION**

The historical audited combined financial information of our Group for the Financial Years Under Review presented in this section have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the same Financial Years Under Review.

The historical audited combined financial information included in this Prospectus does not reflect our Group's result of operations, financial position and cash flows in the future. Moreover, our Group's past operating results are not indicative of our Group's future operating performance.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
- Accountants' Report set out in Section 12 of this Prospectus.

11.1.1 Historical audited combined statements of profit or loss and other comprehensive income of our Group

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
Revenue	207,975	323,834	395,216
Cost of sales	(186,771)	(288,573)	(349,983)
GP	21,204	35,261	45,233
Other income	3,845	665	4,161
Administrative expenses	(13,462)	(18,173)	(22,413)
Net impairment loss on financial assets	(986)	-	(129)
Other expenses	(364)	(69)	(4,999)
Operating profit	10,237	17,684	21,853
Finance income	281	356	1,009
Finance costs	(551)	(480)	(578)
PBT	9,967	17,560	22,284
Tax expense	(2,246)	(1,385)	(6,276)
PAT	7,721	16,175	16,008
Other comprehensive (loss)/income, net of tax			
Revaluation reserve	-	-	154
Foreign currency exchange differences	(17)	(27)	37
Total comprehensive income	7,704	16,148	16,199
PAT attributable to:			
- Owners of the Company	6,685	13,947	13,824
- Non-controlling interests ⁽¹⁾	1,036	2,228	2,184
	7,721	16,175	16,008
Total comprehensive income attributable to:			
- Owners of the Company	6,670	13,923	13,988
- Non-controlling interests ⁽¹⁾	1,034	2,225	2,211
	7,704	16,148	16,199

11. FINANCIAL INFORMATION (Cont'd)

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
EBIT ⁽²⁾	14,422	21,915	27,058
EBITDA ⁽²⁾	35,434	45,068	54,841
Assumed no. of Shares in issue			
- After the Acquisitions ⁽³⁾ ('000)	308,000	308,000	308,000
- After the Public Issue ⁽⁴⁾ ('000)	440,000	440,000	440,000
Basic and diluted EPS			
- After the Acquisitions ⁽⁵⁾ (sen)	2.51	5.25	5.20
- After the Public Issue ⁽⁶⁾ (sen)	1.75	3.68	3.64
GP margin ⁽⁷⁾ (%)	10.20	10.89	11.45
EBIT margin ⁽⁸⁾ (%)	6.93	6.77	6.85
EBITDA margin ⁽⁹⁾ (%)	17.04	13.92	13.88
PBT margin ⁽¹⁰⁾ (%)	4.79	5.42	5.64
PAT margin ⁽¹¹⁾ (%)	3.71	4.99	4.05

Notes:

- (1) Non-controlling interests are held by our Promoters, namely Lee Kim Seng and Ir. Oh Chin Wah.
- (2) EBIT and EBITDA is calculated as follows:

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
PAT	7,721	16,175	16,008
Add:			
➤ Tax expense	2,246	1,385	6,276
➤ Finance costs	551	480	578
➤ Finance costs recognised in cost of sales	4,185	4,231	5,205
Less:			
➤ Finance income	(281)	(356)	(1,009)
EBIT	14,422	21,915	27,058
Add: Depreciation	21,012	23,153	27,783
EBITDA	35,434	45,068	54,841

- (3) Based on assumed number of Shares in issue of 308,000,000 after the Acquisitions, but before the Public Issue.
- (4) Based on assumed number of Shares in issue of 440,000,000 after the Public Issue.
- (5) Based on PAT divided by the assumed number of Shares in issue of 308,000,000 after the Acquisitions, but before the Public Issue. PAT was adopted on the basis that there will not be any non-controlling interests given that upon completion of the Acquisitions, we will own 100.00% equity interests in our Subsidiaries.
- (6) Based on PAT divided by the assumed number of Shares in issue of 440,000,000 after the Public Issue. PAT was adopted on the basis that there will not be any non-controlling interests given that upon completion of the Acquisitions, we will own 100.00% equity interests in our Subsidiaries.
- (7) GP margin is calculated based on GP divided by revenue.
- (8) EBIT margin is calculated based on EBIT divided by revenue.
- (9) EBITDA margin is calculated based on EBITDA divided by revenue.
- (10) PBT margin is calculated based on PBT divided by revenue.
- (11) PAT margin is calculated based on PAT divided by revenue. PAT was adopted on the basis that there will not be any non-controlling interests given that upon completion of the Acquisitions, we will own 100.00% equity interests in our Subsidiaries.

11. FINANCIAL INFORMATION (Cont'd)

There was no share of profits of associated companies or joint ventures, and no exceptional or extraordinary items throughout the Financial Years Under Review. The audited combined financial statements of our Group for the Financial Years Under Review were not subject to any qualification or modification.

11.1.2 Historical audited combined statements of financial position of our Group

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	136,391	149,109	181,892
Investment properties	5,597	8,891	5,982
Goodwill on consolidation	684	684	684
Deferred tax assets	1,636	2,396	990
Total non-current assets	144,308	161,080	189,548
Current assets			
Trade receivables	62,583	89,457	70,059
Other receivables	12,055	27,536	22,953
Contract assets	41,449	42,801	70,596
Tax recoverable	2,906	337	970
Deposits with licensed banks	12,879	25,988	31,317
Cash and bank balances	11,885	8,457	10,449
	143,757	194,576	208,344
Assets held for sale	-	-	3,960
Total current assets	143,757	194,576	212,304
Total assets	288,065	355,656	401,852
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11,788	11,788	11,916
Reserve	(17)	(40)	124
Retained earnings	83,248	97,194	103,209
	95,019	108,942	115,249
Non-controlling interests	13,121	15,345	16,275
Total equity	108,140	124,287	131,524
LIABILITIES			
Non-current liabilities			
Lease liabilities	36,085	38,062	49,239
Borrowings	7,771	7,616	8,083
Deferred tax liabilities	5,844	6,447	8,116
Total non-current liabilities	49,700	52,125	65,438
Current liabilities			
Trade payables	36,941	59,715	60,952
Other payables	41,640	55,717	89,643
Contract liabilities	6,546	17,301	10,772
Amount due to Directors	4,722	2,335	-
Lease liabilities	22,767	25,882	24,129
Borrowings	17,520	18,253	18,874
Tax payable	89	41	520
Total current liabilities	130,225	179,244	204,890
Total liabilities	179,925	231,369	270,328
Total equity and liabilities	288,065	355,656	401,852

11. FINANCIAL INFORMATION (Cont'd)**11.2 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness:

- (i) as at 30 April 2025 based on our unaudited combined statements of financial position, after taking into account the Acquisitions but before the Public Issue and use of proceeds;
- (ii) after adjusting for the proceeds arising from the Public Issue and use of proceeds from the Public Issue.

	Unaudited as at 30 April 2025	After the Acquisitions	After the Public Issue and Share Transfer	After the Listing ⁽²⁾
	RM'000	RM'000	RM'000	RM'000
INDEBTEDNESS				
<u>Current</u>				
Secured and guaranteed:				
- Bankers' acceptance	-	21,321	21,321	21,321
- Term loans	-	818	818	818
- Bank overdraft	-	2,352	2,352	2,352
- Lease liabilities ⁽¹⁾	-	22,881	22,881	22,881
	-	47,372	47,372	47,372
<u>Non-current</u>				
Secured and guaranteed:				
- Term loans	-	5,984	5,984	5,984
- Lease liabilities ⁽¹⁾	-	55,455	55,455	55,455
	-	61,439	61,439	61,439
Total Indebtedness	-	108,811	108,811	108,811
CAPITALISATION				
Share capital, representing total capitalisation	128	131,651	[•]	[•]
Total capitalisation and indebtedness	128	240,462	[•]	[•]
Gearing ratio (times) *	-	0.83	[•]	[•]

Notes:

* Gearing ratio is calculated based on total indebtedness divided by our total capitalisation.

(1) Lease liabilities comprise hire purchase facilities.

(2) Includes the use of proceeds from our Public Issue as set out in Section 11.11 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following management's discussion and analysis relates to the historical financial information of our Group for the Financial Years Under Review should be read together with the Accountants' Report as set out in Section 12 of this Prospectus.

The management's discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

11.3.1 Overview of our operations**(i) Business activities**

Our Company is an investment holding company. Through our Subsidiaries, we are principally involved in the provision of foundation and geotechnical services, as well as other related services. Our services mainly focus on construction activities conducted below ground level, for the purpose of providing a stable foundation to uphold the load of buildings and infrastructure built above ground level.

Our Group business activities are segmented as follows:

- (a) Foundation and geotechnical services; and
- (b) Other related services.

We are typically engaged by our customers to provide (i) build-only services or (ii) design-and-build, with details as follows:

(a) Build-only service

We provide foundation and geotechnical works, and other related services according to designs provided by our customers.

(b) Design-and-build service

We design foundation and/or geotechnical systems according to our customers' requirements as well as provide the relevant works according to our design. The design of the foundation and/or geotechnical systems varies across different types of development (e.g. high-rise buildings, terraces and infrastructures), taking into account factors such as the types of terrain, soil conditions, mobility, climate, amongst others. We are equipped with geotechnical engineering expertise and industry knowledge to design foundation and/or geotechnical systems as well as provide optimal and cost-effective solutions that meet our customers' requirements in terms of functionality and cost considerations, without compromising on the quality of works.

Please refer to Section 6.3 of this Prospectus for further details on our business overview.

11. FINANCIAL INFORMATION (Cont'd)**(ii) Revenue**

Our revenue for the Financial Years Under Review can be segregated into the following segments:

(a) Foundation and geotechnical services

Our Group is involved in the provision of piling works, earth retaining structural works and sub-structure works for residential, commercial, industrial as well as infrastructure development. Our piling works and earth retaining structural works (save for steel sheet pile wall) are mainly carried out in-house using machinery and equipment owned by our Group, whereas sub-structure works are mainly outsourced to subcontractors in order to focus our resources on piling works and earth retaining structural works. Our Group may also outsource some piling works and earth retaining structural works to subcontractors in the event of resource constraints.

In respect of piling works, we mainly provide cast in-situ piling works, which are piles that are cast on-site by pouring ready-mix concrete into bored shafts. We undertake various types of piling works, whereby the adoption of each type of piling works depends on various factors, including the type of development, soil conditions and accessibility of the project sites as well as cost considerations of our customers.

In addition to cast in-situ piling works, our Group also offer jack-in piling works upon customers' requests. Jack-in piling works refer to installation of precast piles (i.e. piles that are cast off-site and transported to project sites for installation) into excavated shafts. We engages subcontractors to carry out jack-in piling works in order to focus our resources on cast in-situ piling works.

Our Group undertakes various types of earth-retaining structural works, whereby the adoption of each type of earth-retaining structural work depends on various factors, including the type of development, soil conditions and accessibility of the project sites as well as cost considerations by our customers.

Sub-structure works typically involves the excavation of soil to certain depths and the construction of retaining walls to prevent the surrounding soil from collapsing into the excavated area in order to form underground structures.

Geotechnical works involve geological modification and improvement of ground properties in terms of permeability, strength, capacity and density. It plays an essential role in enhancing the stability of soil and foundations built below ground level, which consequently affects the stability of structures built nearby or above the ground level. Our Group's geotechnical works are mainly carried out in-house using machinery and equipment owned by our Group. In the event of resource constraints, our Group may also outsource some geotechnical works to subcontractors.

(b) Other related services

To complement our foundation and geotechnical service offerings, we also provide other related services such as earthworks, steel strutting, earthing, construction of bridges, roads and drainage upon customers' requests. These services are either carried out in-house by our Group or outsourced to subcontractors, depending on the type of works and availability of internal resources.

Revenue from our principal activities stated above are recognised over time.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Cost of sales**

Our cost of sales for the Financial Years Under Review mainly comprises the following:

(a) Materials consumed

Comprise mainly ready-mix concrete, steel bars, API pipes and cement.

(b) Subcontractor costs

Comprise mainly sub-structure works, earthworks, and other services such as steel strutting, earthing, as well as construction of bridge, road and drainage.

(c) Upkeep and consumables

Comprise mainly upkeep of site machineries, upkeep of site equipment and consumables such as diesel, admixture and boring parts.

(d) Staff-related costs

Comprise mainly staff salaries, bonuses, allowances and statutory contributions.

(e) Depreciation of PPE

Mainly pertains to depreciation of site machineries and site equipment.

(iv) Other income

Our other income for the Financial Years Under Review mainly comprises reversal of provision for contract foreseeable losses and net gain on disposal of PPE.

(v) Administrative expenses

Our administrative expenses for the Financial Years Under Review mainly comprises staff-related costs, directors' remuneration and depreciation of PPE.

(vi) Other expenses

Our other expenses for the Financial Years Under Review mainly comprises bad debts written off, PPE written off, loss on disposal of IP and provision for contract foreseeable losses.

(vii) Finance income

Our finance income for the Financial Years Under Review mainly comprises interest income from deposits with licensed banks.

(viii) Finance costs

Our finance costs for the Financial Years Under Review mainly comprises interest expenses on term loans and bank overdraft.

(ix) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Years Under Review. In addition, our audited combined financial statements for the Financial Years Under Review were not subject to any audit qualifications.

11. FINANCIAL INFORMATION (Cont'd)**(x) Others****(a) Retention sum in trade receivables**

Retention sum is a percentage of contract value, generally 10.00% of each progress billing, up to a maximum of 5.00% of the contract sum that is retained by our client as follows:

- (i) entire retention sum is to be retained throughout the contract period until the issuance of CPC; and
- (ii) half of the retention sum is to be retained until the end of the DLP and upon issuance of CMGD.

(b) Retention sum in trade payables

Similarly, we also retain 10.00% of each certified work done against our subcontractors as a retention sum, up to a maximum of 5.00% of the awarded subcontract value as follows:

- (i) entire retention sum is to be retained throughout the contract period until the issuance of CPC; and
- (ii) half of the retention sum is to be retained until the end of the DLP and upon issuance of CMGD.

(c) Contract assets

Contract assets primarily related to our Group's rights to receive consideration for work completed on construction services but not yet billed at the reporting date. Typically, the amount will be billed based on the terms stipulated in the signed contract.

(d) Contract liabilities

Contract liabilities primarily relate to the advanced consideration received from customers for the goods or services which are yet to be transferred or performed by the Group as at the reporting date. Examples of advanced consideration received are mobilisation fees invoiced to the customer prior to the commencement of projects, upfront payments that cover the initial costs of preparing for projects, or customers paying in advance for a construction project. The said billings issued have not been recognised as revenue until the Group has performed the services and delivered the goods to customers.

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11. FINANCIAL INFORMATION (Cont'd)**11.3.2 Review of our results of operations****(a) Revenue**

The breakdown of our Group's revenue by business segment for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Foundation and geotechnical services	203,673	97.93	⁽¹⁾ 298,646	92.22	⁽²⁾ 351,390	88.91
Other related services	4,302	2.07	⁽¹⁾ 25,188	7.78	⁽²⁾ 43,826	11.09
Total	207,975	100.00	⁽¹⁾ 323,834	100.00	⁽²⁾ 395,216	100.00

Notes:

- (1) Our revenue for FYE 2023 was netted of by the liquidated ascertainable damages ("LAD") incurred of RM5.74 million and RM0.61 million for the foundation and geotechnical services segment and other related services segment, respectively. These LADs resulted from the delay in the completion dates of two (2) residential development projects in the central region, ie. a residential development project in the central region (RM5.25 million) and M Arisa (RM1.10 million) project due to the movement controls implemented by the Government of Malaysia during the COVID-19 pandemic, which primarily resulted in the limited workforce's ability to access the site as well as the limitation in accessibility to the project sites due to narrow entrance and poor traffic and consequently resulted in these projects took longer period to completion. If excluding the LAD, our Group registered revenue of RM304.38 million and RM25.80 million for the foundation and geotechnical services segment and other related services segment, respectively.
- (2) Our revenue for the both foundation and geotechnical services segment and other related services segment have included LAD rebates from our customers of RM0.16 million and RM0.28 million, respectively. A rebate on LAD received from our customer following an extension of time granted for a residential development project in the central region of RM3.01 million upon the finalisation of the contract sum in FYE 2024. Such rebate received was offset by the LADs incurred for an infrastructure project and a residential development project, both in the central region, i.e. MRT 2 (RM1.47 million) and Skylon Residence Projects (RM1.11 million), resulting from the delay in the completion dates of two (2) projects, primarily due to the movement controls order implemented by the Government of Malaysia during the COVID-19 pandemic, which mainly resulted in the limited workforce's ability to access the site, the limitation in accessibility to the project sites as well as the soil conditions which required more piles and longer periods to complete these projects. If excluding the net effects of LAD, our Group registered revenue of RM351.23 million and RM43.55 million for the foundation and geotechnical services segment and other related services segment, respectively.

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11. FINANCIAL INFORMATION (Cont'd)

The breakdown of our Group's revenue by geographical location for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Peninsular Malaysia:- ⁽¹⁾						
- Central ⁽²⁾	149,318	71.80	226,400	69.91	302,563	76.56
- Eastern ⁽³⁾	39,081	18.79	66,369	20.50	59,813	15.13
- Northern ⁽⁴⁾	19,576	9.41	21,800	6.73	20,665	5.23
- Southern ⁽⁵⁾	-	-	9,265	2.86	12,175	3.08
Total	207,975	100.00	323,834	100.00	395,216	100.00

Our principal market is Malaysia as we provide our foundation and geotechnical services to customers solely in Peninsular Malaysia.

Notes:

- (1) The classification of our revenue by geographical region is based on the locations of our projects.
- (2) Central region comprises Kuala Lumpur and Selangor.
- (3) Eastern region comprises Pahang.
- (4) Northern region comprises Penang and Kedah.
- (5) Southern region comprises Melaka and Johor.

Commentary:Comparison between FYE 2022 and FYE 2023

Our revenue increased by RM115.85 million or 55.70% to RM323.83 million for FYE 2023 (FYE 2022: RM207.98 million), which was due to the increase in revenue from both the foundation and geotechnical services segment as well as other related services segment. The increase in revenue was primarily driven by the recovery of the construction sector following the endemic in April 2022 and the improvement of economic conditions thereafter. The construction industry's recovery post-COVID-19 pandemic resulted in higher demand for properties. As disclosed in the IMR Report, the demand for properties is further driven by various factors, including economic growth, rising affluence, and growing commercial and industrial sectors.

Foundation and geotechnical services segment was our primary revenue contributor, contributing RM298.65 million or 92.22% of our total revenue for FYE 2023 (FYE 2022: RM203.67 million or 97.93%).

Central region was our main revenue contributor, which recorded RM226.40 million or 69.91% of our total revenue for FYE 2023 (FYE 2022: RM149.32 million or 71.80% of total revenue). Our Group recorded revenue from the southern region by securing a commercial development project in Melaka during FYE 2023, which contributed a total revenue of RM9.27 million.

11. FINANCIAL INFORMATION (Cont'd)***Foundation and geotechnical services***

Revenue from our foundation and geotechnical services segment increased by RM94.98 million or 46.63% to RM298.65 million for FYE 2023 (FYE 2022: RM203.67 million), mainly attributable to the net increase in the number of projects by 15 projects in FYE 2023 (including new projects which commenced the construction activities in FYE 2023). The total revenue contributed by new projects was RM174.25 million for FYE 2023 (FYE 2022: RM92.28 million), whereas the total revenue contributed by ongoing projects was RM124.40 million for FYE 2023 (FYE 2022: RM111.39 million). The increase in revenue was primarily due to higher revenue contributions from some of the new and ongoing projects which achieved further stage of completion during FYE 2023, primarily driven by:

- (i) revenue from the new projects which commenced their construction activities during FYE 2023, predominantly from the following:
 - a residential development project in the central region, which contributed RM29.81 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 64.22% for FYE 2023;
 - GENTING XINTIANDI (Phase 1A and 1B), a mixed development project in the eastern region, which contributed RM20.77 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 57.45% for FYE 2023;
 - a residential development project in the central region, which contributed RM19.43 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 58.01% for FYE 2023; and
 - Antara 2, a residential development project in the eastern region, which contributed RM15.62 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 53.88% for FYE 2023.
- (ii) the increase in revenue from ongoing projects since FYE 2022 was predominantly from the following:
 - a residential development project in the central region, which contributed to the growth in revenue of RM20.16 million or 283.94% to RM27.26 million for FYE 2023 (after being offset by the LAD incurred of RM4.68 million) (FYE 2022: RM7.10 million) due to this project achieving a higher percentage of completion, with a further completion stage of 83.34% for FYE 2023 (FYE 2022: 16.45%), contributed mainly from the piling works, slope stabilisation works and sub-structure works; and
 - Penang International Commercial City (Phase 2B), a residential development project in the northern region, which contributed to the growth in revenue of RM15.37 million or 288.37% to RM20.70 million for FYE 2023 (FYE 2022: RM5.33 million) due to this project achieving a higher percentage of completion, with a further completion stage of 76.80% for FYE 2023 (FYE 2022: 21.33%), contributed mainly from the bored piling works.

The above increases were partially offset by the decrease in revenue from an ongoing project, Dwitara Residence (Phase 2A), a residential development project in the central region, which contributed to the decrease in revenue of RM27.99 million or 81.34% to RM6.42 million for FYE 2023 (FYE 2022: RM34.41 million) as major bored piling works were completed in FYE 2022 and achieved a lower percentage of completion, with a further completion stage of 15.10% for FYE 2023 (FYE 2022: 80.91%).

11. FINANCIAL INFORMATION (Cont'd)***Other related services***

Revenue from our other related services segment increased by RM20.89 million or 485.81% to RM25.19 million for FYE 2023 (FYE 2022: RM4.30 million), mainly attributable to the higher revenue contributions from certain new and on-going projects. Our Group undertaken 34 projects during FYE 2023 (FYE 2022: 33 projects). The total revenue contributed by new projects was RM18.91 million for FYE 2023 (FYE 2022: RM2.11 million), whereas the total revenue contributed by ongoing projects was RM6.28 million for FYE 2023 (FYE 2022: RM2.19 million). The increase in revenue was primarily driven by revenue from the following projects undertaken during FYE 2023:

- GENTING XINTIANDI (Phase 1A and 1B), a new mixed development project in the eastern region, which contributed RM12.27 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 57.45% for FYE 2023;
- Ativo Annexe, a new mixed development project in the central region, which contributed RM1.45 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 3.10% for FYE 2023;
- a new residential development project in the central region, which contributed RM1.34 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 64.22% for FYE 2023;
- Alora Residences, a new residential development project in the central region, which contributed RM1.15 million to our revenue for FYE 2023 (FYE 2022: Nil) and achieved percentage of completion of 63.94% for FYE 2023; and
- the increase in revenue from an on-going project, a residential development project in the central region, which contributed to the growth in the revenue of RM3.16 million or 359.09% to RM4.04 million for FYE 2023 (after being offset by the LAD incurred of RM0.58 million) (FYE 2022: RM0.88 million) due to this project achieving higher percentage of completion, with a further completion stage of 83.34% for FYE 2023 (FYE 2022: 16.45%), contributed mainly from earthworks.

Comparison between FYE 2023 and FYE 2024

Our revenue increased by RM71.39 million or 22.05% to RM395.22 million for FYE 2024 (FYE 2023: RM323.83 million), which was due to the increase in revenue from both foundation and geotechnical services segment as well as other related services segment. The increase in revenue was primarily due to the higher continuous demand for properties creates demand for foundation and geotechnical services. As disclosed in the IMR Report, the demand for properties is further driven by various factors, including economic growth and rising affluence, growing commercial and industrial sectors, as well as an increased population and urbanisation.

Foundation and geotechnical services segment remained our primary revenue contributor, contributing RM351.39 million or 88.91% of our total revenue for FYE 2024 (FYE 2023: RM298.65 million or 92.22%).

Central region remained our main revenue contributor, which recorded RM302.56 million or 76.56% of our total revenue for FYE 2024 (FYE 2023: RM226.40 million or 69.91% of total revenue). Our revenue from the southern region increased further from RM9.27 million for FYE 2023 to RM12.18 million for FYE 2024, which was driven by our Group securing a residential development project and a commercial development project in Johor during FYE 2024, which collectively contributed total revenue of RM8.99 million in FYE 2023.

11. FINANCIAL INFORMATION (Cont'd)***Foundation and geotechnical services***

Revenue from our foundation and geotechnical services segment increased by RM52.74 million or 17.66% to RM351.39 million for FYE 2024 (FYE 2023: RM298.65 million), mainly attributable to the net increase in the number of projects by 12 projects during FYE 2024 (including new projects which commenced the construction activities in FYE 2024). The total revenue contributed by new projects was RM178.79 million for FYE 2024 (FYE 2023: RM174.25 million), whereas the total revenue contributed by ongoing projects was RM172.60 million for FYE 2024 (FYE 2023: RM124.40 million). The increase in revenue was primarily due to higher revenue contributions from certain new and ongoing projects which achieved further stage of completion during FYE 2024, primarily driven by:

- (i) the revenue from new projects during FYE 2024, predominantly from the following:
 - MapleTree Logistics Hub, a industrial development project in the central region, which contributed RM28.00 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 100.00% for FYE 2024;
 - Sunway Serene 2, a residential development project in the central region, which contributed RM21.29 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 50.21% for FYE 2024;
 - Infineon Phase 3, a industrial development project in the northern region, which contributed RM13.95 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 78.40% for FYE 2024;
 - Astrum, a residential development project in the central region, which contributed RM13.05 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 79.31% for FYE 2024;
 - The Ashwood, a residential development project in the central region, which contributed RM12.56 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 68.08% for FYE 2024; and
 - Anja Residences, a residential development project in the central region, which contributed RM12.34 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 76.66% for FYE 2024;
- (ii) increased revenue from an ongoing project, Ativo Annexe, a mixed development project in the central region, which contributed to the growth in revenue of RM21.22 million or 1,071.72% to RM23.20 million for FYE 2024 (FYE 2023: RM1.98 million) due to this project achieving a higher percentage of completion, with a further completion stage of 53.65% for FYE 2024 (FYE 2023: 3.10%), contributed mainly from the piling works and sub-structure works.

The above increases were partially offset by the decrease in revenue from certain on-going projects, primarily driven by the following:

- (i) decrease in revenue from a residential development project in the central region, which contributed to the decrease in revenue of RM23.73 million or 87.05% to RM3.53 million for FYE 2024 (including rebate on LAD from our customers of RM2.68 million) (FYE 2023: RM27.26 million) as the project was near completion by FYE 2023 due to major piling works, slope stabilisation works and sub-structure works having been carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 0.21% for FYE 2024 (FYE 2023: 83.34%) and completed during FYE 2024;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) decrease in revenue from Penang International Commercial City (Phase 2B), a residential development project in the northern region, which contributed to the decrease in revenue of RM20.55 million or 99.28% to RM0.15 million for FYE 2024 (FYE 2023: RM20.70 million) as the project was near completion due to major bored piling works having been carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 1.87% for FYE 2024 (FYE 2023: 76.80%) and completed during FYE 2024;
- (iii) decrease in revenue from M Astra, a residential development project in the central region, which contributed to the decrease in revenue of RM15.37 million or 98.91% to RM0.17 million for FYE 2024 (FYE 2023: RM15.54 million) as the project being near completion due to major bored piling works and sub-structure works having been carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 0.80% for FYE 2024 (FYE 2023: 80.17%);
- (iv) decrease in revenue from a residential development project in the central region, which contributed to the decrease in revenue of RM14.63 million or 49.08% to RM15.18 million for FYE 2024 (FYE 2023: RM29.81 million) as major piling works were carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 35.78% for FYE 2024 (FYE 2023: 64.22%) and completed during FYE 2024; and
- (v) decrease in revenue from BBT2, a residential development project in the central region, which contributed to the decrease in revenue of RM14.55 million or 93.63% to RM0.99 million for FYE 2024 (FYE 2023: RM15.54 million) as the project was near completion due to major piling works were carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 1.69% for FYE 2024 (FYE 2023: 85.41%) and completed during FYE 2024.

Other related services

Revenue from our other related services segment increased by RM18.64 million or 74.00% to RM43.83 million for FYE 2024 (FYE 2023: RM25.19 million), mainly attributable to the net increase in the number of projects by four (4) projects (including new projects which commenced the construction activities in FYE 2024). The total revenue contributed by new projects was RM3.82 million for FYE 2024 (FYE 2023: RM18.91 million), whereas the total revenue contributed by ongoing projects was RM40.01 million for FYE 2024 (FYE 2023: RM6.28 million). The increase in revenue was primarily due to revenue from certain projects, primarily driven by the net effects of the following:

- (i) increase in revenue from an ongoing project, Ativo Annexe, a mixed development project in the central region, which contributed to the growth in revenue of RM34.74 million or 2,395.86% to RM36.19 million for FYE 2024 (FYE 2023: RM1.45 million) due to this project achieving a higher percentage of completion, with a further completion stage of 53.65% for FYE 2024 (FYE 2023: 3.10%), contributed mainly from the earthworks;
- (ii) Astrum, a new residential development project in the central region, which contributed RM1.31 million to our revenue for FYE 2024 (FYE 2023: Nil) and achieved percentage of completion of 79.31% for FYE 2024;
- (iii) decrease in revenue from an on-going project, GENTING XINTIANDI (Phase 1A and 1B), a mixed development project in the eastern region, which contributed to the decrease in revenue of RM11.41 million or 92.99% to RM0.86 million for FYE 2024 (FYE 2023: RM12.27 million) as major earthworks were carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 42.55% for FYE 2024 (FYE 2023: 57.45%) and completed during FYE 2024;

11. FINANCIAL INFORMATION (Cont'd)

- (iv) decrease in revenue from a project, a residential development in the central region, which contributed to the decrease in revenue of RM4.33 million or 107.18% to reversal of RM0.29 million for FYE 2024 (including rebate on LAD from our customers of RM0.33 million) (FYE 2023: RM4.04 million) as the project was near completion by FYE 2023 due to major earthworks having been carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 0.21% for FYE 2024 (FYE 2023: 83.34%) and completed during FYE 2024; and
- (v) decrease in revenue from a project, a residential development project in the central region, which contributed to the decrease in revenue of RM1.09 million or 81.34% to RM0.25 million for FYE 2024 (FYE 2023: RM1.34 million) as major earthworks were carried out during FYE 2023, which achieved a lower percentage of completion, with a further completion stage of 35.78% for FYE 2024 (FYE 2023: 64.22%) and completed during FYE 2024.

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

A breakdown of our cost of sales by cost component for the Financial Years Under Review is as follows:

By cost component	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Subcontractor costs ⁽¹⁾	42,275	22.63	83,162	28.82	110,833	31.67
Materials consumed ⁽¹⁾	46,062	24.66	77,874	26.98	102,747	29.36
Upkeep and consumables ⁽¹⁾	34,546	18.50	42,673	14.79	42,663	12.19
Staff-related costs	23,763	12.72	34,965	12.12	40,082	11.45
Depreciation of PPE	19,305	10.34	21,461	7.44	26,020	7.44
Rental ^{(1) (2)}	11,107	5.95	16,003	5.54	12,685	3.62
Interest expenses ⁽³⁾	4,185	2.24	4,231	1.47	5,205	1.49
Site operating expenses ⁽¹⁾	3,354	1.80	4,494	1.56	5,846	1.67
Others ⁽⁴⁾	2,174	1.16	3,710	1.28	3,902	1.11
Total	186,771	100.00	288,573	100.00	349,983	100.00

Notes:

- (1) These costs incurred may vary based on the design of the systems used across different types of developments (e.g. high-rise buildings, terraces and infrastructures), taking into account factors such as the types of terrain, soil conditions, mobility, climate, amongst others.
- (2) Comprises mainly rental of machinery.
- (3) Comprises interest on lease liabilities are in relation to machinery and site equipment purchased under hire purchase arrangements, interest on bankers' acceptances, interest on invoice financing and interest on bank guarantees for secured projects.
- (4) Comprises mainly professional fees such as consultancy fees mainly for site inspection, testing and inspection charges as well as entertainment expenses.

11. FINANCIAL INFORMATION (Cont'd)**Commentary:**Comparison between FYE 2022 and FYE 2023

Our cost of sales increased by RM101.80 million or 54.51% to RM288.57 million for FYE 2023 (FYE 2022: RM186.77 million), mainly attributable to the following costs, which increased in tandem with the increase in our revenue:

- (i) increase in subcontractor costs by RM40.88 million or 96.69% to RM83.16 million for FYE 2023 (FYE 2022: RM42.28 million);
- (ii) increase in materials consumed by RM31.81 million or 69.06% to RM77.87 million for FYE 2023 (FYE 2022: RM46.06 million); and
- (iii) increase in upkeep and consumables by RM8.12 million or 23.50% to RM42.67 million for FYE 2023 (FYE 2022: RM34.55 million).

Our Group recorded higher subcontractor costs for FYE 2023, which increased by 96.69%, at a rate higher than our revenue growth rate of 55.70%, primarily attributed to more projects for sub-structure works being undertaken during FYE 2023, in which we generally outsourced to subcontractors.

The increase in cost of sales was also due to the increase in staff-related costs by RM11.21 million or 47.18% to RM34.97 million for FYE 2023 (FYE 2022: RM23.76 million), mainly attributed to the increase in labour wages due to the increase in average foreign worker headcount from 280 workers for FYE 2022 to 374 workers for FYE 2023 and higher overtime costs and incentives incurred for foreign workers as well as increase in salaries as increase in average staff headcount from 133 staff for FYE 2022 to 153 staff for FYE 2023, mainly from operation department and higher annual salary increments in FYE 2023 as well as bonuses incurred for FYE 2023.

Comparison between FYE 2023 and FYE 2024

Our cost of sales increased by RM61.41 million or 21.28% to RM349.98 million for FYE 2024 (FYE 2023: RM288.57 million), mainly attributable to the following costs, which increased in tandem with the increase in our revenue:

- (i) increase in materials consumed by RM24.88 million or 31.95% to RM102.75 million for FYE 2024 (FYE 2023: RM77.87 million); and
- (ii) increase in subcontractor costs by RM27.67 million or 33.27% to RM110.83 million for FYE 2024 (FYE 2023: RM83.16 million).

Our Group incurred higher costs from materials consumed for FYE 2024, which increased by 31.95% despite our revenue growth by 22.05%, primarily due to higher material costs incurred by foundation and geotechnical services segment, contributed mainly by a new industrial development project in the central region undertaken during FYE 2024 as a result of more ready-mix concrete required for this bore piling work due to the nature of the soil condition.

Our Group incurred higher subcontractor costs for FYE 2024, which increased by 33.27% despite our revenue growth by 22.05%, primarily attributed to higher subcontractor costs incurred for sub-structure works, mainly due to more projects being undertaken during FYE 2024 as well as higher subcontractors costs incurred as a result of the unfavourable soil conditions of a mixed development project in the central region.

Our staff-related costs increased by RM5.11 million or 14.61% to RM40.08 million for FYE 2024 (FYE 2023: RM34.97 million), mainly due to the increase in labour wages as the increase in average foreign worker headcount from 374 workers for FYE 2023 to 443 workers for FYE 2024 and higher overtime costs and incentives incurred for foreign workers as well as increase in salaries as increase in average staff headcount from 153 staff for FYE 2023 to 191 staff for FYE 2024, mainly from operation department.

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

A breakdown of our cost of sales by business segment for the Financial Years Under Review is as follows:

By business segment	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Foundation and geotechnical services	182,721	97.83	266,662	92.41	310,129	88.61
Other related services	4,050	2.17	21,911	7.59	39,854	11.39
Total	186,771	100.00	288,573	100.00	349,983	100.00

Analysis of GP and GP margins by business segment

The breakdown of our Group's GP and GP margin by business segments for the Financial Years Under Review are as follows:

GP	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Foundation and geotechnical services	20,952	98.81	31,984	90.70	41,261	91.22
Other related services	252	1.19	3,278	9.30	3,972	8.78
Total	21,204	100.00	35,261	100.00	45,233	100.00

GP margin	Audited FYE		
	2022	2023	2024
	%	%	%
Foundation and geotechnical services	10.29	10.71	11.74
Other related services	5.86	13.01	9.06
Overall GP margin	10.20	10.89	11.45

Commentary:**Comparison between FYE 2022 and FYE 2023**

Our cost of sales increased by RM101.80 million or 54.51% to RM288.57 million for FYE 2023 (FYE 2022: RM186.77 million), which was attributable to the increase in cost of sales from both foundation and geotechnical services segment as well as other related services segment, which grew in tandem with our revenue as explained above. Correspondingly, our GP increased by RM14.06 million or 66.32% to RM35.26 million for FYE 2023 (FYE 2022: RM21.20 million).

Our Group recorded a lower GP margin for FYE 2022, mainly driven by the delay in the completion of projects secured prior to the movements control orders ("MCO") implemented by the Government of Malaysia during the COVID-19 pandemic, for which the prices for materials consumed, primarily for ready-mix concrete and steel bars, has increased as a result of the increase in global concrete and steel prices, as compared to the raw materials prices prior to the MCO. The increase in raw materials prices was primarily attributable to rising cost of production, recovering demand from construction activities post-MCO as well as supply chain disruptions. We were unable to pass on the increased costs to our customers in a timely manner due to pre-agreed contract prices with our customers despite the delay in the projects due to the MCO implemented by the Government of Malaysia during the COVID-19 pandemic. In addition, the lower GP margin for FYE 2022 was also attributed to higher costs incurred for certain ongoing residential development projects due to the unfavourable soil conditions, which arose from unforeseen ground conditions encountered during the course of piling works. As such, additional materials consumed costs incurred and longer periods required to complete the projects in order to strengthen the foundation.

11. FINANCIAL INFORMATION (Cont'd)

Our GP margin increased marginally from 10.20% for FYE 2022 to 10.89% for FYE 2023 mainly contributed by the increase in our GP margin from both the foundation and geotechnical services segment as well as other related services segment due to the reasons explained below.

Our GP of RM35.26 million and GP margin of 10.89% for FYE 2023 have been derived after being offset by the LAD of RM6.35 million incurred during FYE 2023 against our revenue for the reasons as explained in Section 11.3.2(a) above. For illustrative purposes only, if excluding the LAD, our Group would have recorded a GP of RM41.61 million and yielded a GP margin of 12.60% for FYE 2023, which was contributed by higher GP margin from both the foundation and geotechnical services segment as well as other related services segment due to the reasons as explained below.

Foundation and geotechnical services

Our cost of sales for our foundation and geotechnical services increased by RM83.94 million or 45.94% to RM266.66 million for FYE 2023 (FYE 2022: RM182.72 million), which increased in tandem with our revenue growth rate of 46.63%. Hence, our GP for this segment increased by RM11.03 million or 52.65% to RM31.98 million for FYE 2023 (FYE 2022: RM20.95 million).

Our GP margin increased from 10.29% for FYE 2022 to 10.71% for FYE 2023, primarily contributed by a new mixed development project and a residential project in the eastern region, which yielded a better GP margin than other projects, as the piling work for this project required specialised skills due to the machinery access restriction at the steep slope terrain (i.e. caisson piling works, which involved the manual excavation of soil). In addition, a slope stabilisation project undertaken during FYE 2023 yielded a better margin than other projects due to the familiarity with the site conditions.

Our revenue for FYE 2023 was netted off by LAD of RM5.74 million. For illustrative purposes only, if excluding the LAD, our revenue for this segment would have increased by 49.45%, which grew in tandem with the increase in our cost of sales of 45.94%, and our Group would have recorded an adjusted GP of RM37.72 million and yielded an adjusted GP margin of 12.39% for FYE 2023. The increase in the adjusted GP margin for FYE 2023 was mainly due to the reasons explained above.

Other related services

In tandem with our revenue growth in this segment, our cost of sales for this segment increased by RM17.86 million or 440.99% to RM21.91 million for FYE 2023 (FYE 2022: RM4.05 million). Our GP for this segment increased by RM3.03 million or 1,212.00% to RM3.28 million for FYE 2023 (FYE 2022: RM0.25 million), and our GP margin increased from 5.86% for FYE 2022 to 13.01% for FYE 2023, mainly due to the reason explained below, which was partially offset by the LAD incurred for FYE 2023.

For illustrative purposes only, if excluding the LAD of RM0.61 million, our Group would have recorded a GP of RM3.89 million and yielded a GP margin of 15.07% for FYE 2023. The increase in our adjusted GP and GP margin was mainly due to some of the new projects involving the earthworks being undertaken using our internal resources instead of sub-contractors that resulted in cost savings, as the earthworks involved cut and fill excavation rather than soil dumping through the licensed contractors.

Comparison between FYE 2023 and FYE 2024

Our cost of sales increased by RM61.41 million or 21.28% to RM349.98 million for FYE 2024 (FYE 2023: RM288.57 million), which was attributable to the increase in cost of sales from both foundation and geotechnical services segment as well as other related services segment, which grew in line with our revenue as explained in Section 11.3.2(a) above.

11. FINANCIAL INFORMATION (Cont'd)

Correspondingly, our GP increased by RM9.97 million or 28.28% to RM45.23 million for FYE 2024 (FYE 2023: RM35.26 million), which was driven by higher GP from the foundation and geotechnical services segment.

Our GP margin increased from 10.89% for FYE 2023 to 11.45% for FYE 2024 which contributed by the increase in our GP margin from the foundation and geotechnical services segment as explained below. The said improvement in GP margin was offset by the decrease in our GP margin from the other related services segment for the reasons explained below.

Our GP of RM45.23 million (FYE 2023: RM35.26 million) and GP margin of 11.45% (FYE 2023: 10.89%) for FYE 2024 was derived after being offset by the LAD rebates of RM0.43 million during FYE 2024 (FYE 2023: LAD incurred of RM6.35 million) against our revenue for the reasons as explained in Section 11.3.2(a) above. For illustrative purposes only, if excluding the LAD rebates, our Group would have recorded an adjusted GP of RM44.80 for FYE 2024 (FYE 2023: RM41.61 million) and yielded a lower adjusted GP margin of 11.35% for FYE 2024 (FYE 2023: 12.60%), mainly contributed by lower adjusted GP margin from other related services segment due to the reasons as explained below.

Foundation and geotechnical services

Our cost of sales for this segment increased by RM43.47 million or 16.30% to RM310.13 million for FYE 2024 (FYE 2023: RM266.66 million), which increased in tandem with our revenue growth for this segment as explained above. Correspondingly, our GP for this segment increased by RM9.28 million or 29.02% to RM41.26 million for FYE 2024 (FYE 2023: RM31.98 million) and our GP margin increased from 10.71% for FYE 2023 to 11.74% for FYE 2024. This was mainly due to the LAD recorded in FYE 2023 of RM5.74 million incurred during FYE 2023 and LAD rebates of RM0.16 million recorded during FYE 2024 for the reasons as explained in Section 11.3.2(a) above.

For illustrative purposes only, if excluding the LAD for FYE 2023 and LAD rebates for FYE 2024, our Group would have recorded an adjusted GP of RM41.11 million (FYE 2023: RM37.72 million) and yielded an adjusted GP margin of 11.70% for FYE 2024 (FYE 2023: 12.39%). The lower adjusted GP margin recorded was mainly attributable to higher material costs incurred for a new industrial development project in the central region undertaken during FYE 2024 as a result of the more ready-mix concrete required for this bore piling work due to the nature of the soil condition.

Other related services

Our cost of sales for our other related services increased by RM17.94 million or 81.88% to RM39.85 million for FYE 2024 (FYE 2023: RM21.91 million), which increased in tandem with our revenue growth for this segment as explained in Section 11.3.2(a) above. Hence, our GP for this segment increased marginally by RM0.69 million or 21.04% to RM3.97 million for FYE 2024 (FYE 2023: RM3.28 million).

Despite recording an increase in GP, our Group recorded a lower GP margin for this segment, which decreased from 13.01% for FYE 2023 to 9.06% for FYE 2024, mainly due to higher subcontractor costs incurred for this segment as a result of the unfavourable soil conditions of a mixed development project in the central region as well as the completion of the projects with high margin attributed from the cost savings as explained in FYE 2023.

Our GP and GP margin for this segment for FYE 2023 and FYE 2024 were derived after being offset by the net LAD of RM0.61 million and net LAD rebates of RM0.28 million against our revenue, respectively, for FYE 2023 and FYE 2024 for the reasons as explained in Section 11.3.2(a) above. For illustrative purposes only, if excluding the LAD, our Group would have recorded an adjusted GP of RM3.70 million (FYE 2023: RM3.89 million) and yielded an adjusted GP margin of 8.49% for FYE 2024 (FYE 2023: 15.07%). The decrease in the adjusted GP margin for FYE 2024 was mainly due to the reasons explained above.

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

The breakdown of our other income for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Net gain on disposal of PPE	331	8.61	225	33.83	3,201	76.93
LAD received	-	-	-	-	545	13.10
Reversal of provision for contract foreseeable losses	2,865	74.51	35	5.26	-	-
Rental income	156	4.06	155	23.31	174	4.18
Sales of scrap ⁽¹⁾	279	7.26	183	27.52	228	5.48
Insurance compensation ⁽²⁾	94	2.44	67	10.08	1	0.02
Others ⁽³⁾	120	3.12	-	-	12	0.29
Total	3,845	100.00	665	100.00	4,161	100.00

Notes:

- (1) *Comprises mainly sales of scrap metals.*
- (2) *Insurance compensation mainly for damaged site equipment and site machinery due to accidents.*
- (3) *Comprises mainly waiver of advances from a Director and government subsidy received.*

Commentary:Comparison between FYE 2022 and FYE 2023

Our other income decreased by RM3.18 million or 82.60% to RM0.67 million for FYE 2023 (FYE 2022: RM3.85 million), mainly attributable to the decrease in reversal of provision for contract foreseeable losses of RM2.83 million or 98.61% to RM0.04 million for FYE 2023 (FYE 2022: RM2.87 million). The higher reversal of provision for contract foreseeable losses for FYE 2022 was mainly in relation to the losses of five (5) projects was recognised in FYE 2022.

Comparison between FYE 2023 and FYE 2024

Our other income increased by RM3.49 million or 520.90% to RM4.16 million for FYE 2024 (FYE 2023: RM0.67 million), mainly attributable to the following:

- (i) increase in net gain on disposal of PPE by RM2.97 million or 1,291.30% to RM3.20 million for FYE 2024 (FYE 2023: RM0.23 million), mainly due to the disposal of site machineries, comprises mainly boring machines and cranes, to third parties for replacement with newer site machineries; and
- (ii) there was a LAD received of RM0.55 million, pertaining to the late delivery of an IP, a freehold building under construction located in Kuala Lumpur, which was completed during FYE 2024 and classified under assets held for sale.

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

The breakdown of our administrative expenses for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Depreciation of PPE	1,707	12.68	1,692	9.31	1,763	7.87
Directors' remuneration	1,138	8.45	1,508	8.30	1,812	8.08
Insurance and road tax	180	1.34	280	1.54	333	1.49
Legal and professional fees	392	2.91	453	2.49	453	2.02
Listing expenses	-	-	-	-	465	2.07
Staff-related costs	9,520	70.72	13,547	74.54	15,650	69.83
Stamp duty	37	0.28	139	0.77	311	1.39
Subscription fee	107	0.79	145	0.80	424	1.89
Upkeep expenses	126	0.94	196	1.08	402	1.79
Others ⁽¹⁾	255	1.89	213	1.17	800	3.57
Total	13,462	100.00	18,173	100.00	22,413	100.00

Note:

- (1) Comprise mainly entertainment expenses, travelling and transportation expenses as well as utilities.

Commentary:Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM4.71 million or 34.99% to RM18.17 million for FYE 2023 (FYE 2022: RM13.46 million), mainly attributable to the increase in staff-related costs by RM4.03 million or 42.33% to RM13.55 million for FYE 2023 (FYE 2022: RM9.52 million), mainly due to (i) the increase in salaries as increase in average staff headcount from 72 staff for FYE 2022 to 85 staff for FYE 2023; (ii) higher annual salary increments in FYE 2023; (iii) bonuses incurred for FYE 2023; and (iv) higher levies and insurance incurred for foreign workers.

Comparison between FYE 2023 and FYE 2024

Our administrative expenses increased by RM4.24 million or 23.34% to RM22.41 million for FYE 2024 (FYE 2023: RM18.17 million), mainly attributable to the following:

- (i) increase in staff-related costs by RM2.10 million or 15.50% to RM15.65 million for FYE 2024 (FYE 2023: RM13.55 million), mainly due to the increase in salaries as a result of the increase in average staff headcount from 85 staff for FYE 2023 to 109 staff for FYE 2024;
- (ii) increase in other administrative expenses by RM0.59 million or 280.95% to RM0.80 million for FYE 2024 (FYE 2023: RM0.21 million), primarily due to higher entertainment expenses arising from the annual dinner for FYE 2024 and absence of tax penalty refund related to prior years' tax audit; and
- (iii) there were listing expenses incurred for the Listing of RM0.47 million for FYE 2024 (FYE 2023: Nil).

11. FINANCIAL INFORMATION (Cont'd)**(e) Net impairment loss on financial assets**

The breakdown of our net impairment loss on financial assets for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Impairment loss on trade receivables	⁽¹⁾ 986	100.00	-	-	⁽²⁾ 262	203.10
Reversal of impairment loss on trade receivables	-	-	-	-	⁽³⁾ (133)	(103.10)
Total	986	100.00	-	-	129	100.00

Notes:

- (1) It was general impairment losses on trade receivables after excluding those impaired individual trade receivables, which were assessed separately. The higher impairment loss on trade receivables of RM0.99 million for FYE 2022 was primarily driven by the expected higher collection risk on receivables and changes in forward-looking macroeconomic assumptions.
- (2) It was specific impairment losses on individual trade receivables, which were mainly due to long outstanding debts and delay in payments by customers.
- (3) It was reversal of general impairment losses on trade receivables in FYE 2024 attributable to the general impairment loss balance previously recorded as at 31 December 2023, primarily driven by the expected lower collection risk on receivables and changes in forward-looking macroeconomic assumptions.

(f) Other expenses

The breakdown of our other expenses for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Bad debts written off ⁽¹⁾	304	83.52	-	-	-	-
Deposits written off	*	*	-	-	26	0.52
Fair value loss on IP ⁽²⁾	-	-	-	-	976	19.52
Loss on disposal of IP ⁽³⁾	25	6.87	25	36.23	36	0.72
PPE written off	35	9.61	44	63.77	49	0.98
Provision for contract foreseeable losses	-	-	-	-	3,912	78.26
Total	364	100.00	69	100.00	4,999	100.00

Notes:

* Less than RM1,000 and 0.01%.

- (1) Bad debts were written off for a customer due to uncollectible long outstanding trade debts.
- (2) Loss arising from the changes in fair value of the Group's investment properties under the fair value accounting policy for investment properties, which is in accordance with the relevant accounting standards.
- (3) Loss arising from the disposal of the Group's investment properties, i.e., the difference between the net disposal proceeds and the carrying amount of the asset, which is in accordance with the relevant accounting standards.

11. FINANCIAL INFORMATION (Cont'd)**Commentary:**Comparison between FYE 2022 and FYE 2023

Our other expenses decreased by RM0.29 million or 80.56% to RM0.07 million for FYE 2023 (FYE 2022: RM0.36 million), mainly attributable to the absence of bad debts written off in FYE 2023 (FYE 2022: RM0.30 million).

Comparison between FYE 2023 and FYE 2024

Our other expenses increased by RM4.93 million or 7,042.86% to RM5.00 million for FYE 2024 (FYE 2023: RM0.07 million), mainly attributable to the following:

- (i) there was provision for contract foreseeable losses of RM3.91 million for FYE 2024 (FYE 2023: reversal of provision for contract foreseeable losses of RM0.04 million), primarily due to additional materials costs and longer periods required to complete some of the new residential development projects in the central region to manage the challenging soil conditions as well as limitation in accessibility to the project site due to narrow entrance and poor traffic; and
- (ii) there was fair value loss on IP of RM0.98 million for FYE 2024 (FYE 2023: Nil).

(g) Finance income

The breakdown of our finance income for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Interest income:-						
Deposits with licensed banks	280	99.64	349	98.03	993	98.41
Bank balances	1	0.36	7	1.97	16	1.59
Total	281	100.00	356	100.00	1,009	100.00

Commentary:Comparison between FYE 2022 and FYE 2023

Our finance income increased by RM0.08 million or 28.57% to RM0.36 million for FYE 2023 (FYE 2022: RM0.28 million), mainly attributable to the increase in interest income from deposits with licensed banks by RM0.07 million or 25.00% to RM0.35 million for FYE 2023 (FYE 2022: RM0.28 million) as a result of higher placement of deposits during FYE 2023.

Comparison between FYE 2023 and FYE 2024

Our finance income increased by RM0.65 million or 180.56% to RM1.01 million for FYE 2024 (FYE 2023: RM0.36 million), mainly attributable to the increase in interest income from deposits with licensed banks by RM0.64 million or 182.86% to RM0.99 million for FYE 2024 (FYE 2023: RM0.35 million) as a result of higher placement of deposits during FYE 2024.

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

The breakdown of our finance costs for the Financial Years Under Review is as follows:

	Audited FYE					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses:						
Bank overdraft	143	25.95	42	8.75	43	7.44
Lease liabilities ⁽¹⁾	18	3.27	21	4.38	23	3.98
Term loans	382	69.33	395	82.29	442	76.47
Bank charges	-	-	10	2.08	11	1.90
Bank guarantee ⁽²⁾	8	1.45	12	2.50	59	10.21
Total	551	100.00	480	100.00	578	100.00

Notes:

- (1) Interest on lease liabilities are in relation to motor vehicles purchased under hire purchase arrangements.
- (2) Interest on bank guarantees for tendering of projects.

Commentary:Comparison between FYE 2022 and FYE 2023

Our finance costs decreased by RM0.07 million or 12.73% to RM0.48 million for FYE 2023 (FYE 2022: RM0.55 million), mainly attributable to the decrease in interest on bank overdraft by RM0.10 million or 71.43% to RM0.04 million for FYE 2023 (FYE 2022: RM0.14 million) as a result of lower utilisation of bank overdraft during FYE 2023.

Comparison between FYE 2023 and FYE 2024

Our finance costs increased by RM0.10 million or 20.83% to RM0.58 million for FYE 2024 (FYE 2023: RM0.48 million), mainly attributable to the following:

- (i) increase in bank guarantee fees by RM0.05 million or 500.00% to RM0.06 million for FYE 2024 (FYE 2023: RM0.01 million) as a result of higher bank guarantees to secure additional banking facility; and
- (ii) increase in interest on term loans by RM0.04 million or 10.00% to RM0.44 million for FYE 2024 (FYE 2023: RM0.40 million) as a result of purchase of IP comprises a freehold building under construction located in Kuala Lumpur, which was completed during FYE 2024 and classified under assets held for sale.

(i) Tax expense

The breakdown of our tax expense for the Financial Years Under Review is set out below:

	Audited FYE		
	2022	2023	2024
Tax expense (RM'000)	2,246	1,385	6,276
Effective tax rate (%) ⁽¹⁾	22.53	7.89	28.16
Malaysia statutory tax rate (%)	24.00	24.00	24.00
Singapore statutory tax rate (%)	17.00	17.00	17.00

Note:

- (1) Effective tax rate is calculated based on tax expenses divided by PBT.

11. FINANCIAL INFORMATION (Cont'd)**Commentary:**Comparison between FYE 2022 and FYE 2023

Our tax expenses decreased by RM0.86 million or 38.22% to RM1.39 million for FYE 2023 (FYE 2022: RM2.25 million) despite higher PBT recorded for FYE 2023. Such decrease was mainly due to lower deferred tax expenses, primarily due to utilisation of unabsorbed business losses which was under-recognised as deferred tax assets in the prior financial year of RM4.03 million.

Our effective tax rate of 22.53% for FYE 2022 was lower than the statutory tax rate, mainly attributable to the over recognised of deferred tax liabilities in prior financial year of RM4.19 million, primarily related to PPE, which was partially offset by the deferred tax assets not recognised of RM3.55 million, primarily related to unutilised business losses.

Our effective tax rate of 7.89% for FYE 2023 was lower than the statutory tax rate, mainly attributable to the utilisation of unabsorbed business losses which was under recognised as deferred tax assets in prior financial year of RM4.03 million and partially offset by under provision of tax expense in prior financial year of RM0.73 million.

Comparison between FYE 2023 and FYE 2024

Our tax expenses increased by RM4.89 million or 351.80% to RM6.28 million for FYE 2024 (FYE 2023: RM1.39 million), mainly attributable to higher PBT recorded for FYE 2024.

Our effective tax rate of 28.16% for FYE 2024 was higher than the statutory tax rate, mainly attributable to the expenses not deductible for tax of RM3.32 million, comprised mainly fair value loss on IP, legal and professional fees (such as legal fees for new banking facilities and tax fees), entertainment expenses, depreciation of non-qualifying assets, stamp duties and listing expenses.

(j) PBT, PBT margin, PAT and PAT margin

The PBT, PBT margin, PAT and PAT margin of our Group for the Financial Years Under Review are as follows:

	Audited FYE		
	2022	2023	2024
PBT (RM'000)	9,967	17,560	22,284
PBT margin (%)	4.79	5.42	5.64
PAT (RM'000)	7,721	16,175	16,008
PAT margin (%)	3.71	4.99	4.05

Commentary:Comparison between FYE 2022 and FYE 2023

We recorded an increase in PBT of RM7.59 million or 76.13% to RM17.56 million for FYE 2023 (FYE 2022: RM9.97 million) and our PBT margin also increased from 4.79% for FYE 2022 to 5.42% for FYE 2023. The increase in PBT and PBT margin was mainly due to the increase in GP and GP margin as explained in Section 11.3.2(b) above, which was partially offset by the higher administrative expenses as explained in Section 11.3.2(d) above and lower other income as explained in Section 11.3.2(c) above.

We recorded an increase in PAT of RM8.46 million or 109.59% to RM16.18 million for FYE 2023 (FYE 2022: RM7.72 million) and our PAT margin also increased from 3.71% for FYE 2022 to 4.99% for FYE 2023, mainly due to higher PBT and PBT margin for FYE 2023 as explained above and lower tax expenses for FYE 2023 as explained in Section 11.3.2(i) above.

11. FINANCIAL INFORMATION (Cont'd)Comparison between FYE 2023 and FYE 2024

We recorded an increase in PBT of RM4.72 million or 26.88% to RM22.28 million for FYE 2024 (FYE 2023: RM17.56 million) and our PBT margin also increased marginally from 5.42% for FYE 2023 to 5.64% for FYE 2024. The increase in PBT and PBT margin was mainly due to the increase in GP and GP margin as explained in Section 11.3.2(b) above, which was partially offset by the higher other expenses as explained in Section 11.3.2(f).

Nevertheless, we recorded a decrease in PAT of RM0.17 million or 1.05% to RM16.01 million for FYE 2024 (FYE 2023: RM16.18 million) and our PAT margin also decreased from 4.99% for FYE 2023 to 4.05% for FYE 2024, despite the higher PBT and PBT margin recorded for FYE 2024 as explained above. The decrease in PAT and PAT margin was mainly due to the higher tax expenses for FYE 2024, as explained in Section 11.3.2(i) above.

11.4 SIGNIFICANT FACTORS MATERIALLY AFFECTING OUR OPERATIONS AND FINANCIAL RESULTS

Our business operations and financial conditions have been and will continue to be affected by factors including, but not limited to, the following:

(a) We are exposed to unexpected interruptions or delays caused by geotechnical risk, machinery and equipment failures as well as other external factors, which may lead to interruptions in our operations

The time frame required to complete our foundation and geotechnical construction works may be adversely affected by various external factors which are beyond our control, which include:

- (i) exposure to geotechnical risks in the form of unforeseen geological conditions, including landslides, rock falls and mud flows;
- (ii) potential failure of machinery and equipment, as we rely on a series of machinery and equipment to provide foundation and geotechnical services to our customers; and
- (iii) others external factors including delays or inability to obtain approvals from various regulators as scheduled; shortage of labour as well as building materials in adequate amounts; unfavourable credit terms; delays or poor performance by subcontractors; and unforeseen circumstances affecting our customers' ability and willingness to pay us, amongst others.

These external factors may disrupt our work progress, increase the hazardous nature of our work and/or increase our overall project costs due to additional works required. All of which may result in cost overruns and/or delays in the completion of our works, thereby subject us to claims for LAD by our customers. Furthermore, in the event of cost overruns, our Group's cash flow and financial performance may be adversely affected.

In FYE 2023 and FYE 2024, our Group recorded LAD of RM6.35 million and RM2.58 million respectively, primarily resulted from the delay in the completion of three (3) residential development projects and one (1) infrastructure project in the central region. For further information on the impact of LAD to our Group's financial performances, please refer to Section 11.3.2 of this Prospectus.

For the Financial Years Under Review and up to the LPD, save for the aforementioned, there were no occurrences of geotechnical risk, machinery and equipment failures or other external factors that resulted in material disruptions to our service provisions and/or material cost overruns that had a material adverse impacts to our Group's financial performances and business prospects. However, there can be no assurance that these events will not happen in the future, and will not cause any adverse impact to our business operations, financial performance and prospects.

11. FINANCIAL INFORMATION (Cont'd)**(b) Our growth and profitability are dependent on our ability to continuously secure new projects and maintain or grow our order book**

Due to the nature of our business whereby we provide foundation and geotechnical services on a project basis, our financial performance may fluctuate and is dependent on our ability to continuously secure new projects. Failure to do so may result in a decline in our order book, which may lead to adverse impact to our growth and profitability.

In April 2025, the government of USA had announced an imposition of reciprocal tariff on import of goods from other countries, including Malaysia. In July 2025, the government of USA announced that effective 1 August 2025, the government of USA is imposing a 25% tariff (a 1% increase from the initial 24% tariff announced in April 2025) on imports from Malaysia. While the imposition of reciprocal tariff by the government of USA currently has no direct impact on the foundation and geotechnical industry or the construction industry in Malaysia, there can be no assurance that there will not be material adverse impact to our order book from ongoing projects with our major customers resulting from the imposition of reciprocal tariff, as the overall impact remains uncertain and is subject to the outcomes of negotiations between governments. Notwithstanding that, our Group does not foresee any potential major impact on our order book from ongoing projects with our major customers, as our Group solely operates in Malaysia as at LPD.

As at LPD, our order book amounted to a total of RM382.66 million. For the Financial Years Under Review and up to the LPD, we have not experienced major challenges in securing new projects and maintaining or growing our order book. However, there is no assurance that we will be able to maintain or grow our order book moving forward, as it is subject to various factors beyond our control, including market demand, competitive dynamics and economic conditions in Malaysia. Any unfavourable development of these factors may result in a decline in the demand for foundation and geotechnical services as a whole, which may consequently affect our project pipeline, hence adversely impacting our growth and profitability.

(c) We are exposed to contractual pricing mechanism which lacks flexibility for adjustment

Our projects are secured on contractual basis and our order book comprises mainly contracts awarded on:

- (i) firm-price basis, where the cost of wages, building materials, fuel, temporary works or transport, amongst others, shall be fixed (i.e. there shall be no adjustment on the agreed cost in the event of fluctuation or variation in prices, which may occur during the work progress); while the final contract sum is adjustable according to the actual measurement quantities at site; and
- (ii) lump-sum basis, where the final contract sum is fixed and cannot be adjusted.

Our Group has not experienced any cost overrun situations which had a material adverse impact on our profitability and financial performance in the Financial Years Under Review and up to the LPD. However, there is no assurance that we will be able to cover or avoid cost overruns for all our projects in the future, which may adversely affect our business operations, financial performance and prospects.

11. FINANCIAL INFORMATION (Cont'd)**(d) We are exposed to risks arising from defect liability periods, including claims from customers due to defective or unsatisfactory works by our Group and/or our subcontractors, as well as uncollectible retention sums**

The defect liability periods of our contracts range from one (1) to two (2) years from the receipt of CPC from our customers. Any findings of defective works or dissatisfaction amongst our customers within the defect liability period may give rise to claims against our Group, which may result in the incurrence of additional costs for the remediation or rectification works. This includes defective or unsatisfactory works that were performed by our subcontractors, whereby our Group will be held responsible for remediation or rectification. In addition, we may also be required to compensate our customers for the defective or unsatisfactory works, which may adversely affect our financial performance. 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 costs and may adversely impact our financial performance.

For the Financial Years Under Review and up to the LPD, we have not received or encountered any major complaints from our customers in relation to defective and unsatisfactory works during the defect liability period which require our Group to incur significant rectification or remedial costs, as well as incidences where our customers fail to release the retention sum to our Group upon the expiry of the defect liability period.

However, there is no assurance that we would not experience any defect liability claims or failure to collect all retention sum in full in the future, or that these incidences would not adversely impact our business operations, financial performance and prospects.

(e) We are exposed to credit risks and default payment by customers

We generally grant our customers a credit period of up to 60 days upon completion of a project milestone as stipulated in the respective contracts. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on financial assets or writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

During the Financial Years Under Review, our impairment loss and bad debts does not had a material adverse impact to our Group's financial performance. Nevertheless, there can be no assurance that any delay or failure in receiving payments from our customers in the future may not result in trade receivables being written off as bad debts, which could have material adverse impact to our financial performance.

(f) Our insurance coverage may be inadequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at the LPD, the insurance policies which our Group has taken up include contractors' all risk insurance, fire insurance, machineries and equipment insurance, professional indemnity and workmen compensation insurance, amongst others. However, there is no assurance that our insurance coverage is sufficient to cover all damages to our Group or business operations.

Moreover, we will be subject to the risk that we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. In the event of increase in insurance premium in the future. In addition, if we were to incur a significant liability for which we were not fully insured, for instance major mishaps or major incidents, it may result us incurring additional cost that may adversely affect our business operations and financial performance.

11. FINANCIAL INFORMATION (Cont'd)

For the Financial Years Under Review and up to the LPD, we have not experienced any claims arising from major mishaps or major incidents which are not sufficiently covered by insurance and having a material adverse impact on our business operations and financial performance.

(g) We are exposed to borrowing and interest risks

Our Group's business operations are funded through a combination of internally generated funds and external financing from financial institutions and machinery leasing companies. Our total borrowings as at 31 December 2024 which consist of term loans, bankers acceptances, invoice financing and lease liabilities amounted to approximately RM100.32 million, all of which are borrowed from local financial institutions and machinery leasing company, and are interest bearing. As such, we have interest commitment due to loan or borrowings granted by financial institutions. Any additional borrowings or increase in interest rates which is beyond our control may adversely affect our profitability.

There can be no assurance that we will not increase our borrowings or that the current interest rate of our borrowings will be maintained in the future. Notwithstanding the above, For the Financial Years Under Review and up to the LPD, we have not experienced any substantial increase in interest rate which had adversely affected our profitability or financial performance.

(h) We are subject to fluctuation in prices and availability of building materials and raw materials

In carrying out our foundation and geotechnical services, we use a range of building materials (e.g. ready-mix concrete, steel bars, API pipes and cement), as well as other raw materials such as diesel. The prices of these materials are subject to fluctuations as a result of supply and demand conditions, geopolitical and economic conditions as well as potential disruptions in the supply chain. Our business and financial performance may be affected by the fluctuation in material prices as any unanticipated and substantial increase in the prices may result in cost overruns for our projects.

In FYE 2022, we recorded a lower GP margin as we were unable to pass on the increased material costs resulted from increase in prices for ready-mix concrete and steel bars to our customers. For further details of the impact of material price fluctuations to our GP margins, please refer to Section 11.2 of this Prospectus. Save for the aforementioned, we were generally able to pass on any substantial increase in material costs to our customers. Notwithstanding that, there is no assurance that we will be able to continue to pass on future increases in cost to our customers.

Further, for the Financial Years Under Review and up to the LPD, we have not experienced any shortage of building materials which had a material adverse effect on our Group's business operations and financial performance. However, moving forward, there can be no assurance that we will not be faced with shortage of building materials.

(i) Impact of inflation

There was no material impact of inflation on our Group's financial performance for the Financial Years Under Review.

However, there can be no assurance that any significant increase in the future inflation rate will not adversely affect our Group's business, financial performance or financial condition.

(j) Impact of Government, economic, fiscal or monetary policies

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the Financial Years Under Review. There can be no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

11. FINANCIAL INFORMATION (Cont'd)**11.5 LIQUIDITY AND CAPITAL RESOURCES****11.5.1 Working Capital**

Our operations are funded through cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise bank overdraft, term loans, bankers' acceptances, invoice financing, lease liabilities and bank guarantees.

As at 31 December 2024, our Group has cash and bank balances of RM10.45 million, deposits with licensed banks of RM31.32 million, and working capital of RM7.41 million, being the difference between current assets of RM212.30 million and current liabilities of RM204.89 million. Our Group also recorded a net cash from operating activities of RM56.17 million for the FYE 2024.

Based on the above and after taking into consideration of the release and/or discharge of the personal guarantees given by Lee Kim Seng and/or his brother by substituting the same with corporate guarantees from our Company, our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

11.5.2 Cash flows summary

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the Financial Years Under Review:

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
Net cash from operating activities	37,267	45,778	56,170
Net cash used in investing activities	(8,664)	(3,953)	(5,385)
Net cash used in financing activities	(22,934)	(30,787)	(44,839)
Net increase in cash and cash equivalents	5,669	11,038	5,946
Cash and cash equivalents at the beginning of the financial years	11,912	17,585	28,630
Effect of exchange rate changes on cash and cash equivalents	4	7	(6)
Cash and cash equivalents at the end of the financial years	17,585	28,630	34,570
Cash and cash equivalents at end of the financial year comprise:			
Cash and bank balances	11,885	8,457	10,449
Deposits with licensed banks	12,879	25,988	31,317
	24,764	34,445	41,766
Less: Deposits pledged with licensed banks	(7,179)	(5,815)	(7,196)
	17,585	28,630	34,570

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances, subject to the availability of distributable reserves and compliance with financial covenants.

11. FINANCIAL INFORMATION (Cont'd)**Commentary:****Net cash from operating activities****FYE 2022**

For the FYE 2022, our operating profit before working capital changes was RM36.39 million. After adjusting for the following key items, our net cash from our operating activities was RM37.27 million:

- (i) decrease in net contract assets of RM8.48 million, mainly for billing milestones achieved for the work performed;
- (ii) increase in receivables of RM10.71 million, mainly due to the following:
 - (a) increase in trade receivables of RM8.08 million as higher billings were issued to customers in the last quarter of FYE 2022 as compared to FYE 2021 and higher retention sum receivable from our customers; and
 - (b) increase in other receivables of RM2.63 million, mainly due to the net effects of the following:
 - (aa) increase in prepayments of RM1.66 million, mainly due to higher prepayments of lease liabilities;
 - (bb) increase in advances to subcontractors of RM3.84 million, mainly for the purchases of materials; and
 - (cc) decrease in non-trade receivables of RM2.81 million, mainly due to outstanding proceed receipt from the disposal of an IP and a contra property in FYE 2021.
- (iii) increase in payables of RM4.07 million, mainly due to the net effects of the following:
 - (a) decrease in trade payables (excluding outstanding payables for the purchase of PPE) of RM1.99 million, mainly due to fewer jobs awarded to a subcontractor in FYE 2022; and
 - (b) increase in other payables of RM6.06 million, mainly due to the net effects of the following:
 - (aa) increase in accruals of RM9.10 million, mainly due to higher accruals of purchases of materials and subcontractor costs; and
 - (bb) decrease in provision for contract foreseeable losses of RM2.86 million, mainly due to there were reversal of provision for contract foreseeable losses for five (5) projects as these projects progress further in FYE 2023 which the loss is recognised.
- (iv) income tax refunded of RM0.03 million; and
- (v) income tax paid of RM0.99 million.

11. FINANCIAL INFORMATION (Cont'd)**FYE 2023**

For the FYE 2023, our operating profit before working capital changes was RM44.91 million. After adjusting for the following key items, our net cash from our operating activities was RM45.78 million:

- (i) decrease in net contract assets of RM9.40 million, mainly for billing milestones achieved for the work performed;
- (ii) increase in receivables of RM42.35 million, mainly due to the following:
 - (a) increase in trade receivables of RM27.77 million as higher billings were issued to customers in the last quarter of FYE 2023 as compared to FYE 2022 and higher retention sum receivable from our customers; and
 - (b) increase in other receivables of RM14.58 million, mainly due to the following:
 - (aa) increase in advances to subcontractors of RM8.41 million, mainly due to higher purchases of materials;
 - (bb) increase in non-trade receivables of RM0.72 million, mainly due to outstanding proceeds receivable from the disposal of an IP;
 - (cc) increase in deposits of RM4.02 million, mainly due to deposits paid for the purchase of IP (which was subsequently refunded in FYE 2024 as a result of the said transactions were being called off) and deposit paid for the purchase of site machineries; and
 - (dd) increase in prepayments of RM1.43 million, mainly due to higher prepayments of lease liabilities.
- (iii) increase in payables of RM32.84 million, mainly due to the following:
 - (a) increase in trade payables (excluding outstanding payables for the purchase of PPE) of RM18.76 million, mainly due to higher purchases made towards the end of FYE 2023;
 - (b) increase in other payables of RM14.08 million, mainly due to the following:
 - (aa) increase in accruals of RM12.48 million, mainly due to higher accruals of purchases of materials and subcontractor costs; and
 - (bb) increase in non-trade payables of RM1.75 million, mainly due to there were amount payables for the purchase of IP.
- (iv) income tax refunded of RM2.89 million as a result of overpayment of income tax in prior years; and
- (v) income tax paid of RM1.91 million.

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11. FINANCIAL INFORMATION (Cont'd)**FYE 2024**

For the FYE 2024, our operating profit before working capital changes was RM52.83 million. After adjusting for the following key items, our net cash from our operating activities was RM56.17 million:

- (i) increase in net contract assets of RM34.32 million, mainly for work performed ahead of billing milestones;
- (ii) decrease in receivables of RM21.85 million, mainly due to the following:
 - (a) decrease in trade receivables of RM17.27 million as lower billings were issued to customers in the last quarter of FYE 2024 as compared to FYE 2023; and
 - (b) decrease in other receivables of RM4.58 million, mainly due to the net effects of the following:
 - (aa) decrease in advances to subcontractors of RM4.49 million, mainly due to lower purchases of materials;
 - (bb) increase in deposits of RM0.68 million, mainly due to higher deposit for the purchase of site machineries, which was partially offset by the deposit refunded for the purchase of IP; and
 - (cc) decrease in prepayments of RM0.85 million, mainly due to lower prepayments of lease liabilities and prepaid insurance was charged out to expenses in FYE 2024.
- (iii) increase in payables of RM19.17 million, mainly due to the following:
 - (c) decrease in trade payables (excluding outstanding payables for the purchase of PPE) of RM14.79 million, mainly due to lower subcontractors costs incurred in the last quarter of FYE 2024 and lower purchase of ready-mix concrete from a supplier in the last quarter of FYE 2024;
 - (d) increase in other payables of RM33.96 million, mainly due to the following:
 - (aa) increase in accruals of RM29.54 million, mainly due to higher accruals of purchases of materials and subcontractor costs as well as site machineries; and
 - (bb) increase in provision for contract foreseeable losses of RM3.91 million, mainly due to additional materials costs and longer periods required to complete some of the new residential development projects in the central region to manage the challenging soil conditions as well as limitation in accessibility to the project site due to narrow entrance and poor traffic; and
- (iii) income tax paid of RM3.36 million.

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11. FINANCIAL INFORMATION (Cont'd)**Net cash used in investing activities****FYE 2022**

Our Group recorded net cash used in investing activities of RM8.66 million for the FYE 2022. This was mainly attributed to the net effects of the following:

- (i) interest received of RM0.28 million, mainly from deposits with licensed banks;
- (ii) cash purchase of PPE of RM7.68 million, comprise mainly site equipment of RM3.08 million, site machineries of RM4.47 million and office equipment of RM0.06 million for our business operation;
- (iii) cash purchase of IP of RM2.31 million, comprise mainly additional cost incurred for freehold buildings under construction of RM0.78 million and leasehold buildings under construction of RM1.53 million;
- (iv) proceeds from the disposal of IP of RM0.58 million, comprise a leasehold building; and
- (v) proceeds from the disposal of PPE of RM0.46 million, comprise mainly site machineries and motor vehicles.

FYE 2023

Our Group recorded net cash used in investing activities of RM3.95 million for the FYE 2023. This was mainly attributed to the net effects of the following:

- (i) interest received of RM0.36 million, mainly from deposits with licensed banks;
- (ii) cash purchase of PPE of RM4.21 million, comprise mainly site equipment of RM2.03 million, site machinery of RM1.38 million, office equipment of RM0.19 million, site furniture and fittings of RM0.44 million, renovation of RM0.05 million and site office equipment of RM0.05 million for our business operation;
- (iii) cash purchase of IP of RM3.32 million, comprise mainly cost incurred for freehold buildings of RM2.92 million and leasehold buildings of RM0.40 million;
- (iv) proceeds from the disposal of IP of RM0.68 million, comprise a freehold building; and
- (v) proceeds from the disposal of PPE of RM2.55 million, comprise mainly site machineries, motor vehicles and site equipment.

FYE 2024

Our Group recorded net cash used in investing activities of RM5.38 million for the FYE 2024. This was mainly attributed to the net effects of the following:

- (i) interest received of RM1.01 million, mainly from deposits with licensed banks;
- (ii) cash purchase of PPE of RM10.24 million, comprise mainly site equipment of RM5.19 million, site machineries of RM4.06 million, furniture and fittings of RM0.13 million, office equipment of RM0.18 million, site furniture and fittings of RM0.26 million, site office equipment of RM0.10 million and renovation of RM0.18 million for our business operation;
- (iii) cash purchase of IP of RM1.82 million, comprise mainly cost incurred for freehold buildings under construction of RM1.82 million;
- (iv) proceeds from the disposal of IP of RM2.31 million, comprise two (2) units of freehold buildings and a leasehold building; and
- (v) proceeds from the disposal of PPE of RM3.36 million, comprise mainly site machineries.

11. FINANCIAL INFORMATION (Cont'd)**Net cash used in financing activities****FYE 2022**

Our Group recorded net cash used in financing activities of RM22.93 million for the FYE 2022 mainly due to the net effects of the following:

- (i) drawdown of bankers' acceptances of RM41.43 million and invoice financing of RM4.38 million for payments to the suppliers;
- (ii) drawdown of lease liabilities of RM0.66 million mainly for the purchase of site machineries;
- (iii) interest paid of RM4.74 million mainly for lease liabilities, bankers' acceptances, invoice financing, bank guarantee and term loans;
- (iv) repayments of term loans of RM4.79 million, bankers' acceptances of RM36.03 million, invoice financing of RM3.78 million and lease liabilities of RM20.75 million; and
- (v) withdrawal of deposits pledged with licensed banks of RM0.63 million.

FYE 2023

Our Group recorded net cash used in financing activities of RM30.79 million for the FYE 2023 mainly due to the net effects of the following:

- (i) repayments to Directors of RM2.42 million;
- (ii) drawdown of bankers' acceptances of RM45.26 million and invoice financing of RM7.56 million for payments to the suppliers;
- (iii) drawdown of lease liabilities of RM0.16 million mainly for the purchase of site machineries;
- (iv) interest paid of RM4.71 million mainly for lease liabilities, bankers' acceptances, invoice financing, bank guarantee and term loans;
- (v) repayments of term loans of RM0.80 million, bankers' acceptances of RM44.95 million, invoice financing of RM7.16 million and lease liabilities of RM25.09 million; and
- (vi) withdrawal of deposits pledged with licensed banks of RM1.37 million.

FYE 2024

Our Group recorded net cash used in financing activities of RM44.84 million for the FYE 2024 mainly due to the net effects of the following:

- (i) repayments to Directors of RM2.32 million;
- (ii) drawdown of bankers' acceptances of RM25.16 million and invoice financing of RM30.38 million for payments to the suppliers;
- (iii) drawdown of lease liabilities of RM3.16 million mainly for the purchase of site machineries;
- (iv) interest paid of RM5.78 million mainly for lease liabilities, bankers' acceptances, invoice financing, bank guarantee and term loans;
- (v) repayments of term loans of RM1.59 million, bankers' acceptances of RM38.47 million, invoice financing of RM16.49 million and lease liabilities of RM28.55 million;
- (vi) placement of deposits pledged with licensed banks of RM1.38 million;

11. FINANCIAL INFORMATION (Cont'd)

- (vii) dividend paid of RM9.09 million to shareholders; and
- (viii) issuance of shares by our Company of RM0.13 million.

11.5.3 Borrowings

As at 31 December 2024, our total outstanding borrowings stood at RM100.32 million, which can be analysed further as follows:

Type of bank borrowings	Tenure	Effective interest rates (per annum)	Payable within 12 months (RM'000)	Payable after 12 months (RM'000)	Total (RM'000)
Term loans	78 to 240 months	3.39% to 8.50%	838	8,083	8,921
Bankers' acceptances	120 days	4.83% to 5.03%	3,139	-	3,139
Invoice financing	120 days	4.71% to 4.88%	14,897	-	14,897
Lease liabilities	3 to 5 years	4.08% to 9.31%	24,129	49,239	73,368
Total borrowings			43,003	57,322	100,325
Gearing ratio as at 31 December 2024 (times)*					0.76

Note:

* Computed based on total borrowings over our pro forma total equity (after the Acquisitions but before the Public Issue and use of proceeds) as at 31 December 2024 of RM131.52 million.

As at the LPD, all our bank borrowings are secured, interest bearing and denominated in RM. Our credit facilities are secured by the following:

- (i) First party legal charges over the freehold land and building and freehold buildings under construction of our Group;
- (ii) First party legal charges over the freehold land and building of our Group;
- (iii) First party charge over deposits placed with the licensed banks of our Group;
- (iv) Corporate guarantee by GHSB;
- (v) Corporate guarantee by Syarikat Jaminan Pembiayaan Berhad;
- (vi) Personal guarantee by a Director of our Company; and
- (vii) Pledged by the insurance policy coverage of our Group.

We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the Financial Years Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

As at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank borrowings, which can materially affect our business operations, financial position or results of operations or the investment by holders of securities in our Group.

11. FINANCIAL INFORMATION (Cont'd)**11.5.4 Type of financial instruments used**

As at the LPD, save for bank borrowings as disclosed in Section 11.5.3 of this Prospectus, we do not use any other financial instruments.

For clarity purposes, the financial instruments of our Group which are used in the ordinary course of business, from an accounting perspective, may include financial assets such as cash and cash equivalents, trade and other receivables, as well as financial liabilities such as borrowings, lease obligations and trade and other payables. These are shown in the combined statements of financial position of our Group.

As at the LPD, we do not use any financial instrument for hedging purposes.

11.5.5 Treasury policies and objectives

We finance our operations through internally generated funds as well as external sources of funds, such as credit term granted from suppliers as well as short-term and long-term bank borrowings.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manages its exposure to interest rate movements by maintaining a combination of both fixed-rate and floating-rate borrowings.

11.5.6 Material commitment

As at the LPD, save as disclosed below and the use of IPO proceeds as disclosed in Section 4.5 of the Prospectus, our Board, after having made all reasonable enquiries, confirm that there are no material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group.

	Amount RM'000
Approved and contracted for:-	
PPE	
Site machineries	20,254
Site equipment	1,682
Renovation	272
IP	
Freehold buildings under construction	4,502
Approved but not contracted for:-	
PPE	
Site machineries	500
Total	27,210

The above capital commitment will be financed through internally generated funds and/or bank borrowings.

11. FINANCIAL INFORMATION (Cont'd)**11.5.7 Material contingent liabilities**

As at the LPD, there are no contingent liabilities, which upon becoming enforceable may have a material impact on the financial performance and position of our Group.

11.5.8 Material capital expenditures

Our Group's material capital expenditure for the Financial Years Under Review and up to the LPD are as follows:

At cost:	Audited FYE			Unaudited
	2022 RM'000	2023 RM'000	2024 RM'000	1 January 2025 up to the LPD RM'000
PPE				
Motor vehicles	521	625	558	274
Furniture and fitting	-	7	127	-
Site equipment	3,470	3,321	5,188	614
Site furniture and fitting	-	438	262	-
Site machineries	10,863	33,549	54,381	3,534
Office equipment	57	192	179	11
Renovation	-	52	176	-
Site office equipment	30	53	104	-
Capital work-in-progress	-	4	97	-
	14,941	38,241	61,072	4,433
IP				
Freehold land and buildings	-	3,590	-	-
Leasehold buildings	-	404	-	-
Freehold buildings under construction	1,138	-	3,920	296
Leasehold buildings under construction	1,527	-	-	-
	2,665	3,994	3,920	296
Total	17,606	42,235	64,992	4,729

Our material capital expenditures were primarily funded via a combination of bank borrowings and/or internally generated funds.

FYE 2022

For the FYE 2022, our capital expenditures mainly related to the following:

- (i) site equipment comprise mainly steel plate, boring parts for replacement, rock buckets and roller core barrels;
- (ii) site machineries comprise mainly boring machines, cranes, excavators and air compressors;
- (iii) freehold buildings under construction comprise mainly three (3) service residence units in Kuala Lumpur, a service residence unit in Mont Kiara and a condominium unit in Petaling Jaya; and
- (iv) leasehold buildings under construction comprise mainly two (2) condominium units in Wangsa Maju and two (2) service residence units in Kuala Lumpur;

11. FINANCIAL INFORMATION (Cont'd)**FYE 2023**

For the FYE 2023, our capital expenditures mainly related to the following:

- (i) site equipment comprise mainly boring parts for replacement, rock bucket, cross cutter and core barrel;
- (ii) site machineries comprise mainly air compressors, boring machines, cranes, hydraulic vibro hammer and excavators; and
- (iii) freehold land and buildings comprise mainly two (2) service residence units in Ampang;

FYE 2024

For the FYE 2024, our capital expenditures mainly related to the following:

- (i) site equipment comprise mainly boring parts for replacement, rock bucket, boring buckets, solar panels and hydraulic PDA hammer testing equipment;
- (ii) site machineries comprise mainly boring machines, excavators, cranes and air compressors; and
- (iii) freehold buildings under construction comprise mainly additional cost incurred for a condominium unit in Seputeh;

11.5.9 Material divestitures

Our Group's material divestitures for the Financial Years Under Review and up to the LPD are as follows:

	Audited FYE			Unaudited 1 January 2025 up to the LPD RM'000
	2022 RM'000	2023 RM'000	2024 RM'000	
At cost:				
PPE				
Motor vehicles	144	94	83	-
Site equipment	-	501	-	-
Site machineries ⁽¹⁾	1,560	5,623	12,509	13,437
Office equipment	12	3	11	-
Site office equipment	9	20	12	-
	1,725	6,241	12,615	13,437
IP				
Freehold land and buildings ⁽²⁾	-	700	1,854	2,700
Leasehold buildings	-	-	489	490
Leasehold buildings under construction	607	-	-	-
	607	700	2,343	3,190
Total	2,332	6,941	14,958	16,627

Notes:

- (1) Disposal of site machineries for the replacement of aged machineries with newer and more efficient machineries.
- (2) Disposal of freehold land and buildings are mainly investment properties which are not used for our business operations.

11. FINANCIAL INFORMATION (Cont'd)**FYE 2022**

For the FYE 2022, our capital divestitures primarily related to the site machineries comprise mainly cranes.

FYE 2023

For the FYE 2023, our capital divestitures primarily related to the site machineries comprise mainly submersible pumps, excavators and cranes.

FYE 2024

For the FYE 2024, our capital divestitures mainly related to the following:

- (i) site machineries comprise mainly boring machines and cranes; and
- (ii) freehold buildings comprise mainly a service residence unit in Mont Kiara.

11.5.10 Material litigation

As at the LPD, our Group is not engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material and/or adverse effect on the financial position or business of our Group.

11.6 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:

	Audited FYE		
	2022	2023	2024
Trade receivables turnover period (days)	56	47	37
Trade payables turnover period (days)	64	54	55
Current ratio (times)	1.10	1.09	1.04
Gearing ratio (times)	0.78	0.72	0.76

11.6.1 Trade receivables

A summary of our trade receivables turnover period for the Financial Years Under Review is set out below:

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
Revenue	207,975	323,834	395,216
Average trade receivables ⁽¹⁾	31,737	41,933	40,122
Trade receivables turnover period (days) ⁽²⁾	56	47	37

Notes:

- (1) Average trade receivables were derived based on the average sum of the opening balances and closing balances of trade receivables (excluding retention sums) of the respective financial years.
- (2) Computed based on average trade receivables of the respective financial years (excluding retention sums) divided by the revenue of the respective financial years, multiplied by 365 days.

The normal credit period granted by our Group to our contract clients is up to 60 days from the date of progress billings depending on the terms of the contracts.

11. FINANCIAL INFORMATION (Cont'd)

Our trade receivables turnover period was computed excluding retention sums. Due to the nature of the industry, our clients are entitled to retain 10.0% of each progress billing as retention sum up to a maximum of 5.0% of the total contract sum awarded, in accordance with the terms of the contracts. Our clients will retain the entire retention sum throughout the contract period until the issuance of the CPC, of which half of the total retention sums will be released to us, whilst the remaining half will be released to us at the end of the contracted DLP and upon issuance of the CMGD. As such, the exclusion of the retention sums in the computation of trade receivables turnover period represents a more accurate measure of the average number of days that our Group requires for the collection of debts.

The trade receivable turnover period is dependent on the mix of clients and projects undertaken by us during the Financial Years Under Review. The changes in our receivable turnover days are very much dependent on the time taken by the respective clients to process the payments.

Our trade receivable turnover period for FYE 2022, FYE 2023 and FYE 2024 is 56 days, 47 days and 37 days respectively, which is within the payment period granted to us.

Despite our trade receivables increased by RM17.00 million (excluding retention sum) as at the end of FYE 2023, our trade receivables turnover period decreased from 56 days for FYE 2022 to 47 days for FYE 2023, mainly attributable to the improved collections from our customers resulting from our continuous effort to improve our credit control monitoring process.

Our trade receivables turnover period decreased from 47 days for FYE 2023 to 37 days for FYE 2024, mainly attributable to the improved collections from our customers resulting from our continuous effort to improve our credit control monitoring process.

As at 31 December 2024, the trade receivables of our Group amounted to RM29.81 million, the ageing analysis in respect of trade receivables are analysed as follows:

	Within credit period	<-----Exceed credit period by----->				Total
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	59,949	2,259	1,733	946	8,837	73,724
Less: Retention sums	(42,249)	-	-	-	-	(42,249)
Less: Impairment losses*	(433)	(24)	(24)	(17)	(1,167)	(1,665)
Net trade receivables	17,267	2,235	1,709	929	7,670	29,810
% of total trade receivables	57.92	7.50	5.73	3.12	25.73	100.00
Subsequent collections up to the LPD	17,226	2,088	475	127	5,798	25,714
Outstanding net trade receivables	41	147	1,234	802	1,872	4,096

Note:

* Comprise specific impairment losses on individual trade receivables, which were mainly due to long outstanding debts and delay in payments by customers, and general impairment losses on trade receivables after excluding those impaired individual trade receivables, which were assessed separately. The general impairment losses on trade receivables were recognised based on an overall assessment of collection risks and changes in forward-looking macroeconomics assumptions.

11. FINANCIAL INFORMATION (Cont'd)

For clarification, RM42.25 million is the retention sum as at 31 December 2024, which will be released to us in accordance to the terms of the respective contracts.

Up to the LPD, we have collected RM25.71 million, representing about 86.25% of the total net trade receivables as at 31 December 2024. After taking into consideration the subsequent collections up to the LPD, RM8.49 million or about 28.48% of the total net trade receivables had exceeded credit period.

The outstanding net trade receivables of RM4.10 million include the following:

- (i) RM3.22 million will be offset against the outstanding balances for materials purchased on behalf by customer, upon finalisation of accounts; and
- (ii) The remaining balances receivable from customers who are currently in the process of negotiating the repayment terms with our Group.

Appropriate debts recovery process has been carried out by the project management and finance team to minimise the likelihood of these outstanding trade receivables turning into bad debts. Our Directors are of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration of our relationship with these customers as well as our efforts to improve collection and implement various credit control measures to reduce exposure of credit risk to our Group.

11.6.2 Trade payables

A summary of our trade payables turnover period for the Financial Years Under Review is set out below:

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
Cost of sales	186,771	288,573	349,983
Average trade payables ⁽¹⁾	32,939	42,964	53,078
Trade payables turnover period (days) ⁽²⁾	64	54	55

Notes:

- (1) Average trade payables were derived based on the average sum of the opening balances and closing balances of trade payables (excluding retention sums) of the respective financial years.
- (2) Computed based on average trade payables of the respective financial years (excluding retention sums) divided by the cost of sales of the respective financial years, multiplied by 365 days.

The normal payment period granted to us by our trade payable ranges from 30 days to 90 days. We have not experienced any disruptions in supplies from our subcontractors and suppliers for the Financial Years Under Review. Retention sum is excluded in arriving at our trade payables turnover period.

Our trade payables turnover period for the FYE 2022, FYE 2023, and FYE 2024 were 64 days, 54 days and 55 days respectively, which is within the payment period granted to us.

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11. FINANCIAL INFORMATION (Cont'd)

The ageing analysis of our trade payables as at 31 December 2024 and the subsequent payments up to the LPD are set out below:

	Within credit period	<-----Exceed credit period by----->				Total
		1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	28,491	12,764	8,485	7,577	3,635	60,952
Less: Retention sums	(8,165)	-	-	-	-	(8,165)
Net trade payables	20,326	12,764	8,485	7,577	3,635	52,787
% of total trade payables	38.51	24.18	16.07	14.35	6.89	100.00
Subsequent payments up to the LPD	17,396	12,007	8,203	7,436	3,046	48,088
Outstanding net trade payables	2,930	757	282	141	589	4,699

For clarification, RM8.17 million is the retention sum retained by us in relation to our construction projects as at 31 December 2024. In general, we will release half of the retention sum to our subcontractors upon the issuance of the CPC, whilst the remaining half will be released at the end of the defect liability period and upon the issuance of CMGD.

Up to the LPD we have settled RM48.09 million or 91.10% of the total net trade payables which were outstanding as at 31 December 2024. The outstanding net trade payables of RM4.70 million is in relation to both ongoing and completed projects as well as outstanding payables for the purchase of PPE. We have gained our suppliers' support and understanding regarding the prioritisation of payments based on our collection of receivables. We will continue to make payments and maintain open communication with them on this matter until our trade payables are fully settled.

There was no matter in dispute with respect to trade payables, as well as no legal action was initiated by any of our suppliers and/or subcontractors to demand for payment for the Financial Years Under Review.

11.6.3 Current ratio

A summary of our current ratio for the Financial Years Under Review is set out below:

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
Current assets	143,757	194,576	212,304
Current liabilities	130,225	179,244	204,890
Current ratio (times)	1.10	1.09	1.04

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable as reflected in the current ratio for the Financial Years Under Review which has been fairly consistent ranging between 1.04 times and 1.10 times.

Our current ratio slightly decreased from 1.10 times as at 31 December 2022 to 1.09 times as at 31 December 2023. This was mainly attributable to the net effects of the following:

- (i) increase in trade receivables of RM26.87 million as higher billings were issued to customers in the last quarter of FYE 2023 as compared to FYE 2022 and higher retention sum receivable from our customers;
- (ii) increase in other receivables of RM15.48 million, mainly due to the increase in advances to suppliers of RM8.41 million, mainly due to higher purchase of materials; and

11. FINANCIAL INFORMATION (Cont'd)

- (iii) increase in deposits with licensed banks of RM13.11 million, mainly due to higher placement of deposits during FYE 2023 and internally generated funds contributed by our business growth;
- (iv) decrease in net contract assets of RM9.40 million, mainly for billing milestones achieved for the work performed;
- (v) increase in trade payables of RM22.77 million, mainly due to higher purchases made towards the end of FYE 2023; and
- (vi) increase in other payables of RM14.08 million, mainly due to the increase in accruals of RM12.48 million, mainly due to higher accruals of purchases of materials and subcontractor costs.

Our current ratio decreased from 1.09 times as at 31 December 2023 to 1.04 times as at 31 December 2024. This was mainly attributable to the following:

- (i) increase in net contract assets of RM34.32 million, mainly for work performed ahead of billing milestones;
- (ii) increase in deposits with licensed banks of RM5.33 million, mainly due to higher placement of deposits during FYE 2024 and internally generated funds contributed by our business growth;
- (iii) decrease in trade receivables of RM17.40 million as lower billings were issued to customers in the last quarter of FYE 2024 as compared to FYE 2023; and
- (iv) increase in other payables of RM33.93 million, mainly due to the increase in accruals of RM29.54 million, mainly due to higher accruals of purchases of materials and subcontractor costs as well as site machineries.

11.6.4 Gearing ratio

A summary of our gearing ratio for the Financial Years Under Review is set out below:

	Audited FYE		
	2022 RM'000	2023 RM'000	2024 RM'000
Total loans and borrowings	84,143	89,813	100,325
Total equity	108,140	124,287	131,524
Gearing ratio (times)	0.78	0.72	0.76

Our gearing ratio has decreased from 0.78 times as at 31 December 2022 to 0.72 times as at 31 December 2023 mainly due to the net effects of the following:

- (vi) increase in total equity of RM16.15 million, mainly due to the PAT of RM16.17 million in FYE 2023; and
- (vii) increase in loans and borrowing of RM5.67 million, mainly due to additional lease liabilities arising from the drawdown of hire purchase arrangements for the purchase of machineries, site equipment and motor vehicles.

Our gearing ratio has increased from 0.72 times as at 31 December 2023 to 0.76 times as at 31 December 2024 mainly due to the net effects of the following:

- (i) increase in loans and borrowing of RM10.51 million, mainly due to additional lease liabilities arising from the drawdown of hire purchase arrangements for the purchase of machineries, site equipment and motor vehicles; and

11. FINANCIAL INFORMATION (Cont'd)

- (ii) increase in total equity of RM7.24 million, mainly due to the PAT of RM16.01 million in FYE 2024, which was partially offset by the dividend paid of RM9.09 million.

11.7 TREND INFORMATION

As at the LPD, to the best of the knowledge and belief of our Board, the financial conditions and operations of our Group have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expects to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 6 and 8 of this Prospectus;
- (ii) material commitment for capital expenditure save as disclosed in Section 11.5.8 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this section and in Section 8 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for those that had been discussed in this section and in Section 8 of this Prospectus; and
- (v) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Section 8 of this Prospectus.

11.8 ORDER BOOK

As our revenue from our construction projects is recognised based on the stage of completion method, our order book excludes the value of completed works in respect of on-going projects which have been recognised in revenue.

Our order book as at the LPD is expected to be realised over the following financial years:

	Order book as at the LPD RM'000	Estimated revenue to be recognised in FYE 2025 RM'000	Estimated revenue to be recognised in FYE 2026 RM'000
Foundation and geotechnical services	320,407	230,875	89,532
Other related services	62,249	53,893	8,356
Total	382,656	284,768	97,888

The estimated revenue to be recognised may be change as there may be variations from the amount awarded as compared to the final works to be performed resulting from, amongst others, changes in project requirements, which may take place during the implementation of the project.

11.9 SIGNIFICANT CHANGES

Saved as disclosed in Section 12 of this Prospectus, there are no other significant changes since FYE 2024, being our most recent financial statements, which may have a material effect on the financial position and results of our Group.

11. FINANCIAL INFORMATION (Cont'd)**11.10 DIVIDEND POLICY**

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

Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

- (i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) our Company is solvent as required under the Act;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) prior written consent from financial institutions, where required.

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Group to do so. The level of dividends should also not be treated as an indication of our Group's future dividend policy. 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. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. There is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

Subject to the Act, our Company, in general meetings, may from time to time approve dividends or other distributions. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (i) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than its liabilities.

Save for the dividend declared and paid to our shareholders of RM9.09 million in FYE 2024 (representing a dividend payout ratio of 56.78%), which was funded via internally generated funds, there was no dividend declared and paid in FYE 2022, FYE 2023 and for the period beginning from 1 January 2025 up to the LPD. As at the LPD, our Group has no intention to declare further dividends until the completion of the Listing.

11. FINANCIAL INFORMATION (Cont'd)

11.11 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

GEOHAN CORPORATION BERHAD
(Registration No: 201601003474 (1174400-V))
(Incorporated in Malaysia)

PRO FORMA COMBINED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd.

11. FINANCIAL INFORMATION (Cont'd)

**REPORTING ACCOUNTANTS' REPORT ON THE
COMPILATION OF THE PRO FORMA COMBINED
STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

Date: 30 May 2025

The Board of Directors
Geohan Corporation Berhad
No 40, 42A & 42B
Jalan Datuk Sulaiman
Taman Tun Dr. Ismail
60000 Kuala Lumpur

Dear Sirs,

GEOHAN CORPORATION BERHAD ("COMPANY" OR "GEOHAN")

**REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS
OF FINANCIAL POSITION AS AT 31 DECEMBER 2024**

We have completed our assurance engagement to report on the compilation of the Pro Forma Combined Statements of Financial Position of Geohan Corporation Berhad and its combining entities ("Geohan Group" or "the Group") as at 31 December 2024, together with the notes and assumptions thereto (which we have stamped for the purpose of identification). The Pro Forma Combined Statements of Financial Position have been compiled and prepared by the Directors of the Company ("Directors") for inclusion in the prospectus of the Company in connection with the initial public offering ("IPO") and the listing and quotation of the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing") ("Prospectus").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are described in the notes thereon to the Pro Forma Combined Statements of Financial Position. The Pro Forma Combined Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants ("Guidance Note").

The Pro Forma Combined Statements of Financial Position as at 31 December 2024 have been compiled by the Directors, for illustrative purposes only, to show the effects of the events or transactions as described in the notes thereon to the Pro Forma Combined Statements of Financial Position as if the events had occurred or the transactions had been undertaken on 31 December 2024. As part of this process, information about the Group's Combined Statements of Financial Position has been extracted by the Directors from the Group's audited combined financial statements as at 31 December 2024.

Grant Thornton Malaysia PLT
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

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11. FINANCIAL INFORMATION (Cont'd)**Directors' Responsibility for the Pro Forma Combined Statements of Financial Position**

The Directors are responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

Our Independence and Quality Control

We are independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board of Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies International Standard on Quality Management ("ISQM") 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Combined Statements of Financial Position have been properly compiled, in all material respects, by the Directors on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of the Pro Forma Combined Statements of Financial Position included in the Prospectus is solely to illustrate the effects as if the events had occurred or the transactions had been undertaken on 31 December 2024 for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

11. FINANCIAL INFORMATION (Cont'd)**Our Responsibility (cont'd)**

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of Prospectus Guideline and the Guidance Note, involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis as described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of Prospectus Guidelines and the Guidance Note.

Restriction on Distribution and Use

This report has been prepared solely for the purpose of inclusion in the Prospectus in connection with the Listing. It is not intended to be used for any other purposes. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

LIM CHOOI LING
(NO: 03537/11/2026(J))
CHARTERED ACCOUNTANT

Kuala Lumpur
30 May 2025

11. FINANCIAL INFORMATION (Cont'd)

Stamped for the purpose of identification on:
30 MAY 2025
GRANT THORNTON MALAYSIA PLT

GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

The Pro Forma Combined Statements of Financial Position of the Group as at 31 December 2024 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note on the assumption that these transactions were completed on 31 December 2024, and should be read in conjunction with the accompanying notes to the Pro Forma Combined Statements of Financial Position.

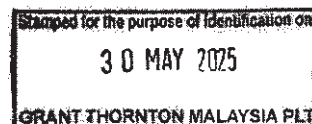
	Note	Audited as at 31 December 2024 RM	Pro Forma I After the Acquisitions RM	Pro Forma II After the Public Issue RM	Pro Forma III After the Share Transfer RM	Pro Forma IV After the Listing RM
ASSETS						
Non-current assets						
Property, plant and equipment	4.01	-	181,891,872	181,891,872	181,891,872	181,891,872
Investment properties	4.02	-	5,981,998	5,981,998	5,981,998	5,981,998
Goodwill on consolidation	4.03	-	683,758	683,758	683,758	683,758
Deferred tax assets	4.04	-	990,500	990,500	990,500	990,500
Total non-current assets		-	189,548,128	189,548,128	189,548,128	189,548,128
Current assets						
Trade receivables	4.05	-	72,058,554	72,058,554	72,058,554	72,058,554
Other receivables	4.06	-	22,952,836	22,952,836	22,952,836	22,952,836
Contract assets	4.07	-	70,596,193	70,596,193	70,596,193	70,596,193
Tax recoverable	4.08	37	970,574	970,574	970,574	970,574
Deposits with licensed banks	4.09	-	31,317,093	31,317,093	31,317,093	31,317,093
Cash and bank balances	4.10	3,079	10,449,197	[•]	[•]	[•]
Asset held for sale	4.11	3,116	208,344,447	[•]	[•]	[•]
		-	3,960,000	3,960,000	3,960,000	3,960,000
Total current assets		3,116	212,304,447	[•]	[•]	[•]
TOTAL ASSETS		3,116	401,852,575	[•]	[•]	[•]
EQUITY AND LIABILITIES						
EQUITY						
Equity attributable to owners of the Company						
Share capital	4.12	128,000	131,650,915	[•]	[•]	[•]
Merger deficit	4.13	-	(103,459,880)	(103,459,880)	(103,459,880)	(103,459,880)
Reserve	4.14	-	144,208	144,208	144,208	144,208
(Accumulated losses)/Retained earnings	4.15	(127,384)	103,188,935	103,188,935	103,188,935	[•]
Total equity		616	131,524,178	[•]	[•]	[•]
LIABILITIES						
Non-current liabilities						
Lease liabilities	4.16	-	49,238,767	49,238,767	49,238,767	49,238,767
Borrowings	4.17	-	8,083,155	8,083,155	8,083,155	8,083,155
Deferred tax liabilities	4.18	-	8,115,854	8,115,854	8,115,854	8,115,854
Total non-current liabilities		-	65,437,776	65,437,776	65,437,776	65,437,776
Current liabilities						
Trade payables	4.19	-	60,952,400	60,952,400	60,952,400	60,952,400
Other payables	4.20	2,500	89,643,087	89,643,087	89,643,087	89,643,087
Contract liabilities	4.21	-	10,772,298	10,772,298	10,772,298	10,772,298
Lease liabilities	4.16	-	24,128,535	24,128,535	24,128,535	24,128,535
Borrowings	4.17	-	18,874,092	18,874,092	18,874,092	18,874,092
Tax payables	4.22	-	520,209	520,209	520,209	520,209
Total current liabilities		2,500	204,890,621	204,890,621	204,890,621	204,890,621
Total liabilities		2,500	270,328,397	270,328,397	270,328,397	270,328,397
TOTAL EQUITY AND LIABILITIES		3,116	401,852,575	[•]	[•]	[•]
No. of ordinary shares	4.12	128,008	308,000,000	440,000,000	440,000,000	440,000,000
Net assets per share (RM)		-*	0.43	[•]	[•]	[•]
Borrowings⁽¹⁾		-	100,324,549	100,324,549	100,324,549	100,324,549
Gearing ratio (times)⁽²⁾		-	0.76	[•]	[•]	[•]

* Less than RM0.01

Notes:-

(1) Including lease liabilities

(2) Computed based on total borrowings including lease liabilities divided by total equity

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024****1. BACKGROUND**

The Company was incorporated in Malaysia under the Companies Act 1965 on 29 January 2016 as a private limited company under the name of Geohan Corporation Sdn Bhd and is deemed registered under the Companies Act 2016. The Company was converted into a public limited company on 21 March 2016. The Company was subsequently converted back into a private limited company and on 25 November 2024 to facilitate the implementation of the pre-listing re-organisation exercise. Subsequent on 23 April 2025, the Company was converted to a public limited company and assumed its present name to facilitate the Listing.

The registered office of the Company is located at Third floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor. The principal place of business of the Company is located at No. 40, 42A & 42B, Jalan Datuk Sulaiman, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

2. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position of Geohan Group have been prepared for illustrative purposes only.

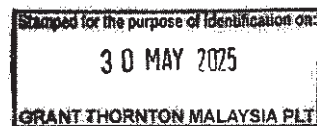
The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are as described below. The Pro Forma Combined Statements of Financial Position is prepared in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

The Pro Forma Combined Statements of Financial Position have been prepared based on the audited Combined Financial Statements of the Group for the financial year ended 31 December 2024, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), IFRS Accounting Standards ("IFRSs") and in a manner consistent with the format of the statements of financial position and accounting policies adopted by the Group, and adjusted for the events and transactions detailed in Note 3.

Merger method of accounting

For the purpose of accounting for the acquisition of its combining entities, namely Geohan Holding Sdn. Bhd. and its subsidiaries ("Acquisitions" or "Combined entities"), the Company has adopted the merger accounting principles as the Combined entities are under common control by the same parties before and immediately after the Acquisitions. Under merger accounting principles, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisition of its combining entities) and the share capital of its combining entities are accounted for as merger reserve, computed as follows:-

	RM
Consideration for the acquisition of its combining entities	115,247,880
Less: Issued share capital of its combining entities as at 31 December 2024	<u>(11,788,000)</u>
Merger reserve	<u>103,459,880</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****3. LISTING SCHEME****(i) Pro Forma I: Acquisition****(a) Acquisition of Equity Interests from Vendors**

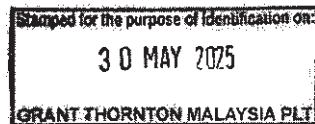
The Company has entered into a share sale and purchase agreement ("SSA") with the vendors of Geohan Holding Sdn. Bhd. ("GHSB"), Geohan Equipment Sdn. Bhd. ("GESB") and Geohan Sdn Bhd ("GSB") for the acquisition of 100% equity interest in GHSB, 14.09% equity interest in GESB and approximately 14.09% equity interest in GSB for a total purchase consideration of approximately RM131,522,915. The purchase consideration was satisfied entirely by the issuance and allotment of 307,871,992 new ordinary shares in the Company ("Shares") in aggregate at an issue price of RM0.4272 per Share to the vendors of GHSB, GESB and GSB.

(b) Acquisition of Equity Interests from GHSB and GSB

The Company has entered into the following:

- (i) a SSA with the vendors of GESB, GSB and Geohan Mix Sdn. Bhd. ("GMSB") for the acquisition of 85.91% equity interest in GESB, approximately 85.91% equity interest in GSB and 100% equity interest in GMSB for a total purchase consideration of RM26,330,000, which shall be settled in such manner and on such terms as may be agreed between the Company and GHSB and GSB; and
- (ii) a SSA with the vendor of Geohan Pte. Ltd. ("GPL") for the acquisition of 100% equity interest in GPL for a total purchase consideration of RM80,000, which shall be settled in such manner and on such terms as may be agreed between the Company and GSB.

Following the completion of the Acquisitions, GHSB, GESB, GSB, GMSB and GPL become the wholly owned subsidiaries of the Company.

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****3. LISTING SCHEME (CONT'D)****(ii) Pro Forma II: Public Issue**

The Public Issue of 132,000,000 IPO Shares, representing 30.00% of the enlarged issued share capital of the Company, at the IPO Price of RM[•] per Share made available in the following manner:

- (a) 22,000,000 IPO Shares, representing 5.00% of the enlarged issued share capital of the Company, made available for application by the Malaysian Public via balloting, of which at least 50.00% is to be set aside strictly for application by Bumiputera investors;
- (b) 11,000,000 IPO Shares, representing 2.50% of the enlarged issued share capital of the Company, made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group;
- (c) 55,000,000 IPO Shares, representing 12.50% of the enlarged issued share capital of the Company, made available by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry; and
- (d) 44,000,000 IPO Shares representing approximately 10.00% of the enlarged issued share capital of the Company, made available by way of private placement to institutional and selected investors.

(iii) Pro Forma III: Share Transfer

In conjunction with the IPO, transfer by Mr. Lee Kim Seng of 114,367,200 Shares to Rogamas Sdn. Bhd. during the prescription period, which enable Rogamas Sdn. Bhd. to hold 55.00% shareholding in the Company (equivalent to 242,000,000 Shares).

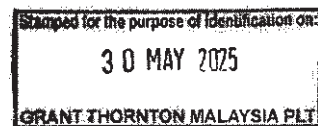
(iv) Pro Forma VI: Listing

Subsequent to the above, the Company's entire enlarged issued share capital of approximately RM[•] comprising 440,000,000 Shares shall be listed on the Main Market of Bursa Securities.

The total gross proceeds from the Public Issue will be amount to RM[•] based on the IPO Price. The Company expects the proceeds to be used in the following manner:

Details of utilisation	Estimated time frame for the use (from the Listing date)	RM	%
Capital expenditure ⁽¹⁾	Within 36 months	[•]	[•]
Working capital ⁽²⁾	Within 12 months	[•]	[•]
Estimated listing expenses ⁽³⁾	Within 3 months	[•]	[•]
Total estimated proceeds		[•]	[•]

11. FINANCIAL INFORMATION (Cont'd)



GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)

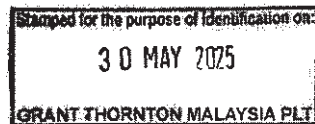
3. LISTING SCHEME (CONT'D)

(v) Pro Forma VI: Listing (cont'd)

Notes:

- (1) As at the latest practicable date of 10 May 2025 ("LPD"), the Group did not enter into any contractual binding arrangements in relation to the above capital expenditure. Accordingly, the use of proceeds earmarked for capital expenditure is not reflected in the Pro Forma Combined Statements of Financial Position.
- (2) The working capital is for the payment to suppliers for purchases of construction materials as well as payment for subcontractor services. The use of proceeds earmarked for working capital purposes is not reflected in the Pro Forma Combined Statements of Financial Position.
- (3) If the actual listing expenses are higher than budgeted, the shortfall will be funded from the portion allocated for working capital purposes. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

The estimated listing expenses of RM[•] directly attributable to the Public Issue will be debited against the share capital and the remaining estimated listing expenses of RM[•] that is attributable to the Listing will be charged out to profit or loss account.

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.01 PROPERTY, PLANT AND EQUIPMENT**

The movements of property, plant and equipment are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>181,891,872</u>
As per Pro Forma I/II/III/IV	<u>181,891,872</u>

4.02 INVESTMENT PROPERTIES

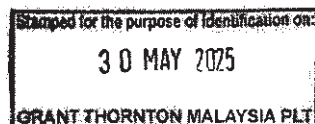
The movements of investment properties are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>5,981,998</u>
As per Pro Forma I/II/III/IV	<u>5,981,998</u>

4.03 GOODWILL ON CONSOLIDATION

The movements of goodwill on consolidation are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>683,758</u>
As per Pro Forma I/II/III/IV	<u>683,758</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.04 DEFERRED TAX ASSETS**

The movements of deferred tax assets are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>990,500</u>
As per Pro Forma I/II/III/IV	<u>990,500</u>

4.05 TRADE RECEIVABLES

The movements of trade receivables are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>72,058,554</u>
As per Pro Forma I/II/III/IV	<u>72,058,554</u>

4.06 OTHER RECEIVABLES

The movements of other receivables are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>22,952,836</u>
As per Pro Forma I/II/III/IV	<u>22,952,836</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.07 CONTRACT ASSETS**

The movements of contract assets are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>70,596,193</u>
As per Pro Forma I/II/III/IV	<u>70,596,193</u>

4.08 TAX RECOVERABLE

The movements of tax recoverable are as follows:-

	<u>Amount</u> RM
At 31 December 2024	37
Pursuant to the Acquisitions	<u>970,537</u>
As per Pro Forma I/II/III/IV	<u>970,574</u>

4.09 DEPOSITS WITH LICENSED BANKS

The movements of deposits with licensed banks are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>31,317,093</u>
As per Pro Forma I/II/III/IV	<u>31,317,093</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.10 CASH AND BANK BALANCES**

The movements of cash and bank balances are as follows:-

	<u>Amount</u> RM
At 31 December 2024	3,079
Pursuant to the Acquisitions	<u>10,446,118</u>
As per Pro Forma I	10,449,197
Pursuant to the Public Issue	<u>[•]</u>
As per Pro Forma II/III	[•]
Pursuant to the Listing	<u>[•]</u>
As per Pro Forma IV	<u>[•]</u>

4.11 ASSETS HELD FOR SALE

The movements of assets held for sale are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>3,960,000</u>
As per Pro Forma I/II/III/IV	<u>3,960,000</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.12 SHARE CAPITAL**

The movements of share capital are as follows:-

	Number of ordinary shares Unit	Amount RM
At 31 December 2024	128,008	128,000
Pursuant to the Acquisitions	307,871,992	131,522,915
As per Pro Forma I	308,000,000	131,650,915
Pursuant to the Public Issue	132,000,000	[•]
As per Pro Forma II/III	440,000,000	[•]
Pursuant to the Listing	-	[•]
As per Pro Forma IV	440,000,000	[•]

4.13 MERGER DEFICIT

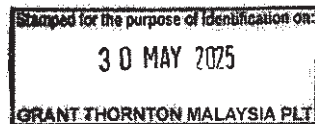
The movements of merger deficit are as follows:-

	Amount RM
At 31 December 2024	-
Pursuant to the Acquisitions	(103,459,880)
As per Pro Forma I/II/III/IV	(103,459,880)

4.14 RESERVE

The movements of reserve are as follows:-

	Amount RM
At 31 December 2024	-
Pursuant to the Acquisitions	144,208
As per Pro Forma I/II/III/IV	144,208

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.15 (ACCUMULATED LOSSES)/RETAINED EARNINGS**

The movements of (accumulated losses)/retained earnings are as follows:-

	<u>Amount</u> RM
At 31 December 2024	(127,384)
Pursuant to the Acquisitions	<u>103,316,319</u>
As per Pro Forma I/II/III	103,188,935
Pursuant to the Listing	<u>[•]</u>
As per Pro Forma IV	<u>[•]</u>

4.16 LEASE LIABILITIES

The movements of lease liabilities are as follows:-

	<u>Non-current</u> RM	<u>Current</u> RM	<u>Total</u> <u>amount</u> RM
At 31 December 2024	-	-	-
Pursuant to the Acquisitions	<u>49,238,767</u>	<u>24,128,535</u>	<u>73,367,302</u>
As per Pro Forma I/II/III/IV	<u>49,238,767</u>	<u>24,128,535</u>	<u>73,367,302</u>

4.17 BORROWINGS

The movements of borrowings are as follows:-

	<u>Non-current</u> RM	<u>Current</u> RM	<u>Total</u> <u>amount</u> RM
At 31 December 2024	-	-	-
Pursuant to the Acquisitions	<u>8,083,155</u>	<u>18,874,092</u>	<u>26,957,247</u>
As per Pro Forma I/II/III/IV	<u>8,083,155</u>	<u>18,874,092</u>	<u>26,957,247</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.18 DEFERRED TAX LIABILITIES**

The movements of deferred tax liabilities are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>8,115,854</u>
As per Pro Forma I/II/III/IV	<u>8,115,854</u>

4.19 TRADE PAYABLES

The movements of trade payables are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>60,952,400</u>
As per Pro Forma I/II/III/IV	<u>60,952,400</u>

4.20 OTHER PAYABLES

The movements of other payables are as follows:-

	<u>Amount</u> RM
At 31 December 2024	2,500
Pursuant to the Acquisitions	<u>89,640,587</u>
As per Pro Forma I/II/III/IV	<u>89,643,087</u>

11. FINANCIAL INFORMATION (Cont'd)**GEOHAN CORPORATION BERHAD AND ITS COMBINING ENTITIES****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024 (CONT'D)****4.21 CONTRACT LIABILITIES**

The movements of contract liabilities are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>10,772,298</u>
As per Pro Forma I/II/III/IV	<u><u>10,772,298</u></u>

4.22 TAX PAYABLE

The movements of tax payable are as follows:-

	<u>Amount</u> RM
At 31 December 2024	-
Pursuant to the Acquisitions	<u>520,209</u>
As per Pro Forma I/II/III/IV	<u><u>520,209</u></u>