

8. IMR REPORT

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BRAND | FINANCE | MARKET

The information in this Section 8 is based on market research conducted by Protégé Associates commissioned by Siab Holdings Berhad for the purpose of the IPO.

30 JUN 2021

The Board of Directors
Siab Holdings Berhad,
82, Jalan BP 7/8,
Bandar Bukit Puchong,
47120 Puchong,
Selangor Darul Ehsan.

Dear Sirs,

Strategic Analysis of the Construction Industry in Malaysia

Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this 'Strategic Analysis of the Construction Industry in Malaysia' for inclusion in the prospectus of Siab Holdings Berhad ("**Siab**") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 21 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, IT, Oil and Gas, etc. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true, balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG
Managing Director

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1.0 Introduction to the Construction Industry

Construction is a series of process with several stages of production, which converts raw materials through the use of labour and machineries to create various forms of buildings and infrastructures. The construction industry in Malaysia can generally be segmented into two, namely, the real estate construction market and the civil engineering and specialised trade work market. Real estate construction refers to the construction of buildings for residential and non-residential purposes. Civil engineering mainly refers to the construction of infrastructures while special trade work is specialised construction work in building or non-building related project without responsibility for the entire project. Siab is mainly involved in real estate construction, whereby the company focuses on the construction of non-residential buildings namely commercial and industrial properties, and residential buildings namely high-rise apartments and condominiums.

1.1 Definition of Real Estate Construction

Real Estate construction refers to the physical process of adding structures and buildings to areas of land, and includes the assembly and erection of prefabricated constructions on the site such as stairs, windows, walls, wall and floor panels as well as other construction activities such as restoring historical sites and buildings. Building construction can be further segmented into the following:

- **Residential buildings** – refers to buildings which are mainly used for dwelling purposes and includes single-family houses (such as terraced houses and semi-detached houses) and multi-family buildings (such as condominiums and apartments).
- **Non-residential buildings** – refers to buildings not used for dwelling purposes and can be segmented into commercial (such as office buildings, hypermarkets, hotels and shopping complexes), industrial (such as factories and warehouses) and purpose-built buildings (such as hospitals) properties.

2.0 Overview of the Construction Industry in Malaysia

The construction industry in Malaysia is considered to be largely domestic-oriented and is an important component within Malaysia's economy due to its strategic and extensive linkages with the rest of the economy. As such, the Malaysian Government's policies have been accommodative and supportive of the growth in the local construction industry which typically included proposed government projects as part of its development expenditure.

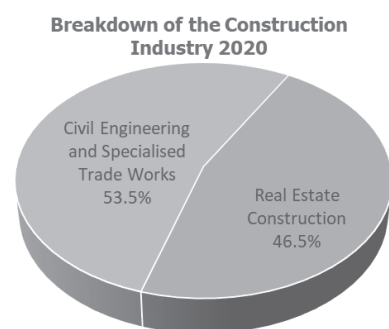
The local construction industry expanded from RM66.22 billion in 2018 to RM66.25 billion in 2019 as growth in the civil engineering and specialised trade work market helped to cushion the weaker performance in the real estate construction market due to the continuing property overhang situation. The share of the real estate construction market as well as the civil engineering and special trade work market in the local construction industry in 2019 stood at 44.7% and 55.3% respectively.

Figure 1: Historical Size (Revenue) and Growth Forecast for the Construction Industry in Malaysia, 2019-2025

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	66.25	-
2020	53.40	-19.4
2021 ^f	57.14	7.0
2022 ^f	62.56	9.5
2023 ^f	67.57	8.0
2024 ^f	71.62	6.0
2025 ^f	75.92	6.0

CAGR (2021-2025) (base year of 2020): 7.3%

Notes: At constant 2015 prices; ^f denotes forecast



Sources: DOSM and Protégé Associates

In 2020, the local construction industry contracted by 19.4% as a result of the coronavirus disease ("COVID-19") pandemic and implementation of lockdown measures, namely the movement control order, conditional movement control order and recovery movement control order. The COVID-19 pandemic and lockdown measures had disrupted local construction activities as most construction companies continue to face challenges to restart work due to strict standard operating procedures ("SOPs"), disruption in supply of building materials and financial constraints. A weaker economic outlook further dampened property demands.

As a result, the Malaysian Government announced a number of economic stimulus and assistance packages to preserve rakyat's welfare, support businesses and strengthen the economy. These include the allocation of an RM2.5 billion for G1 to G4 contractors to carry out small and medium projects across the country under Budget

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2021, and the continuing hiring incentive program under PERKESO (now known as PenjanaKerjaya) whereby for sectors with high reliance on foreign workers, a special incentive of 60% of monthly wages will be provided whereby 40% will be channelled to the employers while 20% will be channelled as wage top up to the local worker replacing the foreign workers.

The local construction industry is expected to grow at an annual rate of between 6.0% and 9.5% during the period from 2021 to 2025. During this period, the growth in the local construction industry is expected to be supported by building and infrastructure construction activities that include the ongoing or upcoming mega projects such as the East Coast Rail Link ("ECRL"), Bandar Malaysia, Johor Bahru-Singapore Rail Transit System, Klang Valley Double Track and Pan Borneo Highway. The implementation of various infrastructure projects and affordable housing schemes are expected to continue providing the foundation for growth in construction activities in Malaysia from 2021 to 2025, where the size (revenue) of the construction industry in Malaysia is projected to reach RM75.92 billion in 2025.

The historical performance and growth forecast of the construction industry in Malaysia based on a combination of resources, including the data from the Department of Statistics Malaysia ("DOSM"), Construction Industry Development Board Malaysia ("CIDB"), Ministry of Finance Malaysia, Bank Negara Malaysia ("BNM") and the annual reports of public listed construction companies. Data is also gathered from further secondary and primary research works conducted. Searches on private construction companies are also conducted with the Companies Commission of Malaysia to gather more disclosures on their business performance. Primary research works are conducted with stakeholders in the local construction industry such as contractors, suppliers and customers to gather their insights on the industry. All the findings are collated, analysed and/or computed to ascertain the outlook of the construction industry in Malaysia.

2.1 Overview of the Real Estate Construction Market in Malaysia

Real estate construction activities are correlated with the growth in the property market. A higher demand for properties can lead to higher level of construction activities for real estate. In terms of project ownership, the construction of new buildings in Malaysia is dominated by the private sector. In 2020, private sector accounted for 84.1% of the value of real estate construction works done with the remaining belonging to the public sector (government and public corporation). Public corporation consists of statutory and non-statutory bodies that are set up under the laws passed by the Parliament Act or the State Legislative Assembly that can operate and manage the government programmes more independently.

Figure 2: Historical Size (Revenue) and Growth Forecast for the Real Estate Construction Market in Malaysia, 2019-2025

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	29.59	-
2020	24.80	-16.2
2021 ^f	25.82	4.1
2022 ^f	27.49	6.5
2023 ^f	28.99	5.4
2024 ^f	30.35	4.7
2025 ^f	31.75	4.6

CAGR (2021-2025) (base year of 2020): 5.1%
 Note: At constant 2015 prices; ^f denotes forecast

The real estate construction market has been experiencing a slowdown in recent years, with it being valued at RM24.80 billion in 2020, showing a contraction of 16.2% as compared to RM29.59 billion in 2019. The slowdown can be attributed to spiralling prices and home ownership issues, resulting in the Malaysian Government putting in place various measures and initiatives to curb speculative activities and promote responsible financing practices over the past years. Going forward, growth in the local real estate construction market is expected to be supported by affordable housing schemes. The size (revenue) of the real estate construction industry in the country is projected to reach RM31.75 billion in 2025. This represents a CAGR of 5.1% for the period from 2021 to 2025.

Sources: DOSM and Protégé Associates

In Budget 2021, the Malaysian Government has continued to step up efforts in ensuring that the 'rakyat' can own a house. Initiatives and measures related to 'increasing home ownership' announced in Budget 2021 include but are not limited to the following:

- Full stamp duty exemption on instruments of transfer and loan agreement for first time home buyers is extended until 31 December 2025. The limit of duty stamp for first residential home is also increased up to RM500,000. This exemption is effective for sale and purchase agreement executed from 1 January 2021 to 31 December 2025. In addition, stamp duty exemption is also extended for another 5 years to loan agreements and instruments of transfer to rescuing contractors and the original house purchaser. This exemption is effective for loan agreements and instruments of transfer executed from 1 January 2021 to 31 December 2025 for abandoned housing projects certified by Ministry of Housing and Local Government;

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- A total of RM1.2 billion is provided for construction of comfortable and quality housing, including RM500 million to build 14,000 low cost housing units under the Program Perumahan Rakyat, RM315 million for the construction of 3,000 units of Rumah Mesra Rakyat by Syarikat Perumahan Nasional Berhad, RM125 million for the maintenance of low cost and medium-low stratified housing as well as assistance to repair dilapidated houses and those damaged by natural disasters, and RM310 million for the Malaysia Civil Servants Housing Programme.
- Collaboration between the Malaysian Government and selected financial institutions to provide a Rent-to-Own Scheme, which will be implemented until 2022 and involves 5,000 PR1MA houses with a total value of more than RM1 billion and is reserved for first-time home buyers.

In addition to the above, The Employees Provident Fund will also continue the development of the Kwasa Damansara with an estimated gross development value of RM50 billion which includes commercial and residential properties as well as an innovation and medical hub. To ensure the welfare and well-being of military personnel, a total of RM500 million is allocated to maintain the facilities of the existing Rumah Keluarga Angkatan Tentera and the construction of 1,000 new units.

In particular, the industrial sub-segment is also expected to benefit from the recovery in manufacturing activities in Malaysia. While the manufacturing sector had been negatively impacted by the COVID-19 pandemic, leading to a decline of 2.6% in 2020, the sector is forecast to rebound by 8.8% in 2021. This is supported by Malaysia's Manufacturing index increasing by 4.5% year-on-year in February 2021 following an expansion of 3.5% year-on-year in January 2021. In addition, in accordance to the Malaysian Investment Development Authority ("MIDA"), a total of 1,049 manufacturing projects were approved in 2020, bringing the total manufacturing projects approved during the five-year period (2016-2020) to 4,178 projects. Of the approved projects, around 70% have been implemented, with 2,739 projects in active production and 187 projects still undergoing factory construction and machinery installation. Another 91 projects have acquired sites for factories while another 977 projects are in active planning stage.

The improvements in economic activities since the second half of 2020 has led to both foreign and local firms announcing plans of expanding capacity in Malaysia. Following Nestle (M) Berhad new manufacturing facility which will be officially launched in April 2021, Dutch Lady Milk Industries Berhad has also announced plans to develop a new production facility in Malaysia. At the same time, Hartalega Holdings Berhad had also announced intention to build 16 new manufacturing facilities over the next 20 years. The US-based DexCom Inc., which is a leader in continuous glucose monitoring systems, had also begin construction of a manufacturing facility in Penang in early February 2021.

2.2 Performance of the Real Estate Construction Market in Malaysia

The performance of the local construction market can be evaluated through the total value of construction work completed within the year.

Figure 3: Value of Real Estate Construction Work Completed by Sub-sectors

	2018 (RM million)	2019 (RM million)	2020 (RM million)
Malaysia			
Residential	36,592	35,752	29,609
Non-residential	41,201	37,558	31,127
Selangor			
Residential	10,028	9,388	8,484
Non-residential	8,481	9,047	7,879
Federal Territories*			
Residential	9,985	9,675	7,998
Non-residential	9,376	10,161	8,072

Note:

- 1) * includes Wilayah Persekutuan Kuala Lumpur, Putrajaya and Labuan
- 2) the figures in Figure 3 covers all main contractors with value of projects of RM500,000 and above registered with CIDB

Source: DOSM

In 2020, value of work completed within the real estate construction sector reached RM60.74 billion and accounted for 51.5% of the total value of construction work completed in Malaysia. This however, was a decline of 17.1% from RM73.31 billion recorded in the previous year. The decline can be mainly attributed to the ongoing COVID-19 pandemic disrupting economic activities as well as property overhang situation in Malaysia.

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Siab's business activities are mainly located in Selangor and Kuala Lumpur. In 2020, Selangor and the Federal Territories collectively account for 53.4% of total real estate construction work completed.

Figure 4: Value of Real Estate Construction Work Completed by Project Owner

	2018 (RM million)	2019 (RM million)	2020 (RM million)
Private Sector			
Residential	34,395	32,777	27,258
Non-residential	29,414	27,988	23,808
Government			
Residential	1,461	1,905	1,674
Non-residential	7,974	7,283	5,610
Public Corporation*			
Residential	736	1,070	677
Non-residential	3,813	2,287	1,709

Note:

- * Public corporations are set up under the laws passed by the Parliament Act or the State Legislative Assembly and enables the Government to be involved directly in the socio-economic development of the country. It consists of statutory bodies and non-statutory bodies which can operate and manage the government programs more independently. Examples of public corporations are Tenaga Nasional Berhad, Telekom Malaysia Berhad and Keretapi Tanah Melayu Berhad.
- the figures in Figure 4 covers all main contractors with value of projects of RM500,000 and above registered with CIDB

Source: DOSM

Over the years, real estate construction work in Malaysia were primarily driven by the private sector. In 2020, the private sector accounted for 84.1% (with a value of RM51.07 billion) of total real estate construction work completed during the year. However, this represented an overall decline of 16.0% for the residential and non-residential segments as compared to the RM60.77 billion recorded in 2019. Similarly, work completed in the residential segment by the public sector (comprises of the Government and public corporations) decreased by 21.0% while work completed in the non-residential segment fell 23.5%.

Performance in the real estate construction industry can also be measured by the volume and value of property transactions. The Malaysian property market (that covers both primary and secondary markets) fell in 2020 in both total transaction volume and total transaction value. Total transaction volume decreased from 328,647 in 2019 to 295,968 in 2020, where the residential segment accounted for 64.7% of total transaction volume, followed by agriculture (20.7%), commercial (6.8%), development land and others (6.2%) and industrial (1.6%) segment. Total transaction value decreased from RM141.40 billion in 2019 to RM119.08 billion in 2020, where the residential segment accounted for 55.3% of total transaction value, followed by commercial (16.4%), industrial (10.7%), agriculture (10.5%) and development land and others (7.1%) segment.

Residential properties with prices of below RM300,001 per unit accounted for 118,050 or 61.7% of total transaction volume in the residential segment in 2020. This represented 39.9% of the total transaction volume in the Malaysian property market for the year. Residential properties at this price range are expected to remain dominant in the near future particularly with the efforts from the Malaysian Government to push for more availability of affordable housing.

On the non-residential side, there were a total of 20,255 commercial property transactions worth RM19.53 billion recorded in 2020, in which volume decreased by 21.0% while value fell by 32.6%. In particular, the shop sub-sector recorded 10,477 transactions worth RM8.50 billion in 2020, dominating transactions in the commercial segment with a share of 51.7% in terms of volume and 43.5% in terms of value. This was followed by the serviced apartment sub-sector with 3,869 transaction worth RM2.54 billion recorded, accounting for 19.1% of commercial property transaction volume and 13.0% of total value. Other noteworthy transactions in the commercial segment in 2020 include transaction of five shopping complex worth RM272 million, eight transactions in the purpose-built office sub-sector worth RM1.16 billion and six hotels and three resort transactions worth RM351 million. At the same time, the industrial segment recorded a total of 4,758 transactions worth RM12.76 billion in 2020. This represents a decrease of 24.0% in terms of volume and declined of 14.0% in value as compared to 2019.

2.3 Overview of the Infrastructure Market in Malaysia

The infrastructure market in Malaysia mainly relates to civil engineering and specialised trade work activities within the country. Civil engineering mainly refers to the construction of infrastructures such as roads and highways, utility structures and buildings, and public infrastructures like bridges, airports, dams and railways.

8. IMR REPORT (Cont'd)

It also includes services such as earthworks, piling works, rock blasting works, reclamation works, landscaping, as well as construction of sewerage systems, water supply systems and flood control systems. Specialised trade works (also known as mechanical and electrical works) involve the construction of parts of buildings and civil engineering works without responsibility for the entire project, and includes air-conditioning systems, lifts and escalators, fire prevention and protection system, monitoring and security system as well as general electrical works.

In terms of project ownership, infrastructure projects in Malaysia are led by the Malaysian Government and public corporations. In 2020, the combined Malaysian Government's and public corporation's participation accounted for 75.4% of the total value of civil engineering works done with the remaining belonging to the private sector.

Figure 5: Historical Size (Revenue) and Growth Forecast for the Civil Engineering and Specialised Trade Works Market in Malaysia, 2019-2025

Year	Size (Revenue) (RM billion)	Growth Rate (%)
2019	36.66	-
2020	28.59	-22.0
2021 ^f	31.31	9.5
2022 ^f	35.07	12.0
2023 ^f	38.58	10.0
2024 ^f	41.28	7.0
2025 ^f	44.17	7.0

CAGR (2021-2025) (base year of 2020): 9.1%

Note: At constant 2015 prices; ^f denotes forecast

The civil engineering and specialised trade works market in Malaysia had been driving growth in the overall construction industry over the past years. The civil engineering and specialised trade works market in Malaysia was valued at RM28.59 billion in 2020, which was a 22.0% decrease from RM36.66 billion in the previous year. The decrease was mainly attributed to COVID-19 disrupting economic activity within the country. Going forward, the size of the civil engineering and specialised trade works market in Malaysia is expected to reach RM44.17 billion in 2025.

Sources: DOSM and Protégé Associates

In Budget 2021, the Malaysian Government remained committed towards fiscal consolidation. Development expenditure allocation announced under Budget 2021 is channelled towards bridging urban-rural infrastructure gap, enhancing the living standards of the people and promoting economic development. A total of RM15 billion has been allocated for transport related projects which include the Pan Borneo Highway, the Gemas-Johor Bahru Electrified Double-Tracking Project and the Klang Valley Double Tracking Project Phase One. In addition, several key projects will also be continued including the Rapid Transit System Link from Johor Bahru to Singapore, and the MRT 3 in Klang Valley. Several large new projects worth approximately RM3.8 billion will also be implemented under Budget 2021 including the construction of the Second Phase of the Klang Third Bridge in Selangor, continuing the Central Spine Project with the new alignment from Kelantan to Pahang, upgrading the bridge across Sungai Marang in Terengganu, upgrading the Federal Road connecting Gerik to Kulim and construction of the Cameron Highlands Bypass Road in Pahang. A sum of RM780 million will be allocated to continue development projects under the five regional corridors of economic development. These projects include the Rapid Transit Bus Transport System in Johor, construction of the Palekbang Bridge to Kota Bahru, construction of infrastructure and related components of the Special Development Zone Project in Yan and Baling in Kedah, the infrastructure project in Samalaju Industrial Area in Sarawak, and the continuation of the Sapangar Bay Container Port Expansion Project in Sabah.

It can be seen that the Malaysian Government has continued to give higher priority to projects which have higher economic and social effects. A sum of RM735 million has been allocated for school maintenance and upgrading works while a sum of RM150 million has been set aside for the Raw Water Transfer Project from Sungai Kesang and Tasik Biru to the Jus Reservoir in Jasin, Melaka. Sabah and Sarawak will also receive a Development Expenditure allocation of RM5.1 billion and RM4.5 billion respectively. The allocation are mainly for building and upgrading water, electricity, and road infrastructure, health and education facilities.

The budget allocated for the above construction projects is part of the total development expenditure of RM69.00 billion provided in Budget 2021. The economic sector encompassing agriculture and rural development, energy and public utilities, environment, trade and industry, and transport received the higher allocation of approximately RM39.03 billion while the social sector, security sector and general administration accounted for the balance of the allocation. Moving forward, the Malaysian Government and public corporations are expected to continue being the main contributors to growth in the local infrastructure market, in line with the PRIHATIN announcement by the Malaysian Government.

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The Malaysia government regulates the construction industry in Malaysia. It is mandatory for all contractors whether local or foreign to register with the Construction Industry Development Board Malaysia ("CIDB") before they participate in any construction works in Malaysia. The industry is highly competitive and fragmented with different grades of contractors capable of bidding for varying project according to their capabilities and levels of services. There are 3 main registration categories for registered contractors in Malaysia, namely the building construction category, the civil engineering construction category and the mechanical and electrical category. Contractors can register under one or more specialisation in each category depending on the intended construction activities that they are undertaking. As at 22 June 2021, there were 124,111 registered local contractors in Malaysia, each categorised by a grade ranging from G1 to G7.

Figure 6: Number of Local Contractors in the Malaysian Construction Industry as at 22 June 2021

Grade	Bidding Limit	Number of Contractors
G1	Not exceeding RM200,000	60,770
G2	Not exceeding RM500,000	23,292
G3	Not exceeding RM1,000,000	17,274
G4	Not exceeding RM3,000,000	5,336
G5	Not exceeding RM5,000,000	6,650
G6	Not exceeding RM10,000,000	2,048
G7	Unlimited	8,741

Source: CIDB

G7 contractors mainly comprise established contractors who are able to compete for and undertake projects of unlimited size as they have the required financial strength, track record, reputation and technical expertise to undertake larger scale projects. G7 contractors are able to undertake and manage the entire project on their own and may work with or sub-contract certain portion/process to smaller contractors to benefit from cost and time saving. They typically have existing work relationships and track record with many customers that they are able to leverage upon to attain new projects. Some would have been pre-qualified with certain of their customers, allowing them to participate in closed tenders, giving them an edge in winning the bid.

Figure 7: G7-Registered Local Contractors by State as at 22 June 2021

State	Number of G7-Registered Local Contractors
Johor	703
Kedah	234
Kelantan	161
Kuala Lumpur	1633
Labuan	11
Melaka	188
Negeri Sembilan	216
Pahang	166
Perak	260
Perlis	30
Pulau Pinang	520
Putrajaya	29
Sabah	630
Sarawak	735
Selangor	3010
Terengganu	215

*Source: CIDB***Figure 8: Local Contractors Registered under the B04 Specialisation by Grade in Malaysia as at 22 June 2021**

Grade	Number of Contractors	% of Total
G1	60,743	49.0%
G2	23,245	18.8%
G3	17,251	13.9%
G4	5,315	4.3%
G5	6,634	5.4%
G6	2,042	1.6%
G7	8,723	7.0%

Source: CIDB

Contractors that participate in the local real estate construction market are typically registered under the B04 specialisation with CIDB. B04 specialisation refers to construction work on building. Among the registered local contractors, 123,953 local contractors or 99.9% of total local contractors in Malaysia are registered under the B04 specialisation as at 22 June 2021. Hence, the level of competition in the local real estate construction market is high.

8. IMR REPORT (Cont'd)**3.1 Industry Players Analysis**

Siab is involved in the Malaysian construction industry via its two wholly-owned subsidiaries, namely Siab (M) Sdn Bhd and Siab Construction Sdn Bhd. Both subsidiaries are G7 contractors registered under the B04 specialisation. For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players in Malaysia for comparison with Siab:

- principally involved in the construction industry offering building construction and derived more than 75% of its revenue from construction activities;
- have revenue of more than RM250 million for its latest available audited financial information;
- a public listed company on Bursa Malaysia Securities Berhad; and
- registered as a G7 contractor or have at least a subsidiary that is a G7 contractor with CIDB with the B04 specialisation.

The criteria is used to further narrow down the list of industry players (from the total 8,741 registered local G7 contractors in Malaysia as at 22 June 2021) that can be selected for comparison with Siab. The criteria are used in order to select industry players that are deemed to be more similar to Siab in terms of upcoming revenue, type of company and principal activities of business entity. Given that Siab has a revenue of RM273.4 million for its financial year ended ("FYE") 31 December 2020, we have selected industry players with revenue more than RM250 million to allow for comparison with its counterparts that stand to generate upcoming revenue in the near and middle term which is closer to the one generated by Siab. We have selected existing public listed industry players for comparison purpose. Besides that, the use of the criteria for the inclusion of G7 contractor (or with at least a subsidiary that is a G7 contractor) with specialisation in B04 category enables the selection of its competing peers for the same type and value of construction jobs.

After taking into consideration the above criteria, Protégé Associates has selected four industry players namely Inta Bina Group Berhad ("**Inta Bina**"), Nestcon Berhad ("**Nestcon**"), Pesona Metro Holdings Berhad ("**Pesona Metro**") and TCS Group Holdings Berhad ("**TCS**") for comparison purpose. It needs to be highlighted that the list of industry players used for comparison purpose is not exhaustive. The list of industry players only serves as a reference for readers.

Inta Bina Group Berhad

Inta Bina is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activities of its subsidiary, Inta Bina Sdn Bhd are securing and carrying out construction contracts. The unbilled order book of Inta Bina stood at approximately RM1.08 billion as at 31 December 2020. For FYE 31 December 2020, all of Inta Bina's revenue amounting to RM280.3 million was derived from its construction activities.

Nestcon Berhad

Nestcon is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiaries, Nestcon Builders Sdn Bhd and Nestcon Infra Sdn Bhd are in the provision of construction services. As at 31 December 2020, the order book of Nestcon stood at RM1.15 billion. For FYE 31 December 2020, all of Nestcon's revenue amounting to RM344.5 million was derived from its construction activities.

Pesona Metro Holdings Berhad

Pesona Metro is currently listed on the Main Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiary, Pesona Metro Sdn Bhd is in the provision of construction services. The order book of Pesona Metro stood at RM0.9 billion as at 31 December 2020. For FYE 31 December 2020, 97.0% of Pesona Metro's revenue amounting to RM598.4 million was derived from its construction activities.

TCS Group Holdings Berhad

TCS is currently listed on the ACE Market of Bursa Malaysia Securities Berhad. It is an investment holding company. The principal activity of its subsidiaries namely TCS Construction Sdn Bhd and TCS Bina Sdn Bhd are in the provision of construction services. The order book of TCS stood at RM843.5 million as at 31 December 2020. For FYE 31 December 2020, all of TCS's revenue amounting to RM242.6 million was derived from its construction activities.

Figure 9: Comparison between Siab and Selected Industry Players in the Construction Industry in Malaysia

Indicator	Siab	Inta Bina	Nestcon	Pesona Metro ³	TCS
Information from FYE	31-12-2020	31-12-2020	31-12-2020	31-12-2020	31-12-2020
Revenue (RM'000)	273,388	280,297	344,479	673,747	242,643

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Indicator	Siab	Inta Bina	Nestcon	Pesona Metro ³	TCS
Profit before Tax (RM'000)	15,455	12,940	19,211	-12,805	23,148
Profit after Tax (RM'000)	11,043	8,101	14,301	-14,019	16,169
Profit before Tax Margin ¹ (%)	5.7	4.6	5.6	-1.9	9.5
Profit after Tax Margin ² (%)	4.0	2.9	4.2	-2.1	6.7

Notes:

The above figures (which are based on the latest available audited financial information) only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area

¹ Profit before Tax Margin = Profit before Tax / Revenue

² Profit after Tax Margin = Profit after Tax / Revenue

³ Pesona Metro is involved in both building construction and infrastructure works. As such, its revenue of RM673.7 million includes revenue from both building construction and infrastructure business.

Sources: Siab, Bursa Malaysia Securities Berhad and Protégé Associates

3.2 Siab's Market Share Analysis

For FYE 31 December 2020, Siab generated revenue of RM273.4 million, equivalent to 0.5% share of the total size (revenue) of the construction industry in Malaysia of RM53.40 billion in 2020. Siab's revenue of RM273.1 million generated from building construction activities for FYE 31 December 2020 was equivalent to 1.1% share of the real estate construction market in Malaysia of RM24.80 billion in 2020.

4.0 Demand Conditions**Figure 10: Demand Conditions Affecting the Construction Industry in Malaysia, 2021-2025**

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2021-2022	2023-2024	2025
+	Government-Led Initiatives and Spending	High	High	High
+	A Favourable Interest Rate Environment	High	High	Medium
+	Increasing Push for Private Sector Participation via Funding and Investment Structures	Low	Medium	Medium
+	Steady Population Growth	Low	Low	Low
-	Subdued Property Demand and Slower or Lesser Construction Activities Due to the COVID-19 Pandemic and Lockdown Measures	High	Low	Low
-	Persistent Property Overhang Situation	Medium	Medium	Low
-	Stringent Policies Dampening Growth in the Property Market	Low	Medium	Medium
-	Changing Lifestyle Trends Reduce Demand for Commercial Property	Low	Medium	Medium

Source: Protégé Associates

The local construction industry is set to benefit from the implementation of various government initiatives. In particular, the Construction Industry Transformation Programme ("CITP") provides a clear policy direction for the future growth of the local construction industry. Under the 11MP, approximately half of the revised RM220 billion development allocation is for the development of infrastructure that is expected to spur construction activities. In addition, the Malaysia construction industry is also expected to benefit from a favourable interest rate environment, whereby the overnight policy rate has remained relatively low and has been revised downwards 4 times in 2020, from the initial 3.00% in January 2020 to 1.75% on 6 May 2021. This has kept the local borrowing cost at a relatively low level and is expected to spur more demand for properties.

At the same time, the private sector is also expected to play a more active role, both directly and indirectly, in the development of the local construction industry going forward. This is attained through participation in crowdfunding platforms to provide housing schemes and establishing infrastructure-related real estate investment trusts. Furthermore, the growing population in Malaysia which is expected to increase from 28.6 million in 2010 to 41.5 million in 2040 is also expected to boost higher demand for housing.

On the flip side, the ongoing COVID-19 pandemic and resulting lockdown and social distancing measures has limited property marketing and sales activities, leading to subdued consumer demand for properties. These measures had also disrupted the supply chain within the construction industry, thus leading to slower revenue recognition, as well as the postponement of new construction projects. Meanwhile, the persisting property overhang situation in Malaysia is also expected to dampen growth of the industry. While the combined overhang

8. IMR REPORT (Cont'd)



residential, shop and industrial units decreased from 37,968 units in 2019 to 37,879 units in 2020. This development may place property developers in a more difficult position when launching new property projects in the future, thus leading to lesser demand for construction services.

Moreover, restrictive Government-led policies are expected to slow the rate of growth in the local property market. These policies include the increase in real property gain tax (“**RPGT**”) for disposal of properties or shares in a real property company in the sixth and subsequent years from 5% to 10% for companies, non-citizens and non-permanent residents, as well as from 0% to 5% for Malaysian citizens and permanent residents (with exemption provided on low cost, low-medium and affordable houses with prices below RM200,000). However, the reintroduction of the Home Ownership Campaign (“**HOC**”) with stamp duty exemption on instruments of transfer and loan agreement for the purchase of residential homes priced between RM300,000 and RM2.5 million is expected to provide impetus for growth within the construction industry. In addition, the 70% financing limit for a third home loan of RM600,000 and above has also been removed during the HOC period.

At the same time, even before the COVID-19 pandemic, there has already been a growing trend of retail tenants moving away from traditional brick and mortar spaces and shifting business to online platforms. The advancement in technology, e-commerce and enhanced online tools has made working remotely more popular and preferable, as seen in some more advanced cities. While Malaysia is a few steps behind, the COVID-19 pandemic is expected to accelerated the adoption of this trend. As more and more people adopt online shopping more, retailers may be forced to reconsider how they utilise spaces. This trend may benefit industrial properties as retailers require more space for warehousing and logistic purposes. Demand for office spaces too may fall as companies realise that work can be executed at home via online tools. Such changes generally happen gradually as companies slowly reduce work space.

5.0 Supply Conditions

Figure 11: Supply Conditions Affecting the Construction Industry in Malaysia, 2021-2025

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2021-2022	2023-2024	2025
+	CIDB Providing the Necessary Leadership in Spearheading the Development of the Local Construction Industry	High	High	High
+	Activism by Master Builders Association Malaysia (“ MBAM ”) Raising Profile and Pushing for the Betterment of the Construction Industry in Malaysia	High	High	High
+	Government Initiatives to Support the Local Construction Industry	High	High	High
+	Strengthened Mechanism to Address Payment Disputes and Facilitate Adjudication	Medium	Medium	Medium
-	Labour Shortage and High Dependency on Foreign Workers	High	High	High
-	Challenging Operating Environment Due to the COVID-19 Pandemic and Lockdown Measures	Medium	Low	Low
-	Lack of Traction in the Adoption of Industrialised Building System (“ IBS ”) Construction	Medium	Medium	Low

Source: Protégé Associates

From the supply side, Government entities such as the CIDB and MBAM have been actively promoting the profile and growth of the Malaysian construction industry. In particular, the CITP which is developed by CIDB outlines the strategic goals and milestones to bring the local construction industry to the next level. MBAM on the other hand serves to promote, enhance, protect and safeguard the interest of the local construction via acting as a single voice for the local construction industry when engaging with policy makers and relevant government bodies – leading to an increase in bargaining power. The MBAM has resolved various issues faced by the local industry by conducting dialogues with the Government. At the same time, the Government has also been actively supporting the growth of the local construction industry. A sum of RM2.5 billion will be allocated to contractors from G1 to G4 class to carry out small and medium projects across the country as stated in Budget 2021. Also, a sum of RM50 million will be provided as financing access to Bumiputera construction contractors under the Skim Pembiayaan Kontrak Ekspres (“**SPIKE**”). Other initiatives by the Government include the Employee Provident Fund (“**EPF**”) continuing the development of the Kwasa Damansara, which will involve the construction of both new commercial and residential projects. The introduction of the Construction Industry

8. IMR REPORT (Cont'd)

Payment and Adjudication Act 2012 (“CIPAA”) and the establishment of specialised construction courts in Malaysia have also helped to alleviate the prevalent and pervasive practice of delayed, underpayment and/or non-payment for works carried out under a construction contract in Malaysia.

On the other hand, the local construction industry continues to face labour shortage issues. As most locals avoid construction jobs, the local construction industry has been relying heavily on foreign workers. This challenge has been made more difficult with policies on foreign workers being constantly under close scrutiny and are subject to frequent changes particularly on levy rates and number of foreign workers allowed to work in Malaysia. At the same time, players in the local industry have been forced to incur holding costs, losses and expenses for not being able to proceed with construction works due to the COVID-19 pandemic and lockdown measures. For players allowed to operate, additional costs are incurred when implementing strict health and safety regulations, enhanced sanitisation at the workplace and/or urgent COVID-19 testing for their foreign workers. However, while no new intake of foreign workers is allowed into the country until the end of the year, players in the construction industry are provided with temporary relief from certain contractual obligation(s) for a certain period as stated in the Temporary Measures for Reducing The Impact of Coronavirus Disease (COVID-19) Act 2020. In addition, for sectors with high reliance on foreign workers such as the construction industry, a special incentive of 60% of monthly wages will be provided whereby 40% will be channelled to the employer while 20% will be channelled as a wage top up to the local worker replacing the foreign worker.

At the same time, the lack of mass adoption of IBS by the local construction industry has made it hard for the IBS companies to reach economic viability. Also, the lack of standardisation of IBS within the country has led to a specific component used in one project not necessarily able to fit into another project, thus resulting in higher costs incurred for new mould and design. Besides that, design consultants may not be adequately trained or fully equipped to undertake IBS design related tasks. Furthermore, there is limited number of construction industry players that are ready to fully prepare themselves for an IBS-driven environment. However, to remedy the situation, the Government has taken several initiatives to promote adoption of IBS within the country such as including IBS as part of the initiatives under the productivity strategic thrusts under the CIP and the CIDB providing levy exemptions for housing development projects with at least 50% IBS content. In addition, the constructions of public buildings are also required to meet the required IBS score, with the mandate being extended to the private developments.

6.0 Prospect and Outlook of the Construction Industry in Malaysia

Factors boosting growth within the construction industry is likely to come from the government-led initiatives and spending particularly those relating to infrastructure and housing development such as the ECRL, MRT 2 the Bandar Malaysia Project as well as provision of incentives to stimulate the property market and financing through the SME-GO Scheme for qualified contractors. A favourable interest rate environment and increased participation from the private sector via funding and investment structures and steady population claims are also expected to support the construction industry. However, stringent policies imposed on the property market by the Malaysian Government and deteriorating property overhang situation are expected to reduce growth in the property market, a key source of demand for construction activities although this is expected to be cushioned by ongoing efforts by the Malaysian Government in providing housing for all such as the HOC with stamp duty exemption on instruments of transfer and loan agreement for the purchase of residential homes. Changing lifestyle trends are expected to prompt developers into reconsidering the type of projects they undertake in the future. As online platforms gradually takeover brick and mortar spaces and more companies adopt for work from home concepts, developers may opt to construct more residential buildings to cater for the growing population.

On the supply side, the industry is expected to be boosted by efforts from industry bodies such as CIDB and MBAM by providing necessary leadership in spearheading the development of the local construction industry as well as raising profile and pushing for the betterment of the construction industry in Malaysia. In addition, the introduction of the CIPAA has also served as a strengthened mechanism to address payment disputes and facilitate adjudication within the industry. However, the Malaysian construction industry is expected to be hampered by labour shortage and high dependency on foreign workers, challenging operating environment due to the COVID-19 pandemic and lockdown measures as well as the lack of traction in the adoption of IBS construction.

Overall, the construction industry in Malaysia is expected to contract in 2020 before posting a recovery in 2021. Protégé Associates projects the size (revenue) of the construction industry in Malaysia to increase from RM53.40 billion in 2020 to RM75.92 billion in 2025, registering a CAGR of 7.3%.