

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF PEKAT GROUP BERHAD (“PEKAT” OR “COMPANY”) DATED 2 JUNE 2021 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad's ("Bursa Securities") website at www.bursamalaysia.com ("Website").

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, M&A Securities Sdn Bhd ("M&A Securities"), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and Pekat take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 2 June 2021 and will close at 5.00 p.m. on 10 June 2021. In the event there is any change to the timetable, Pekat will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.



Pekat

Pekat Group Berhad

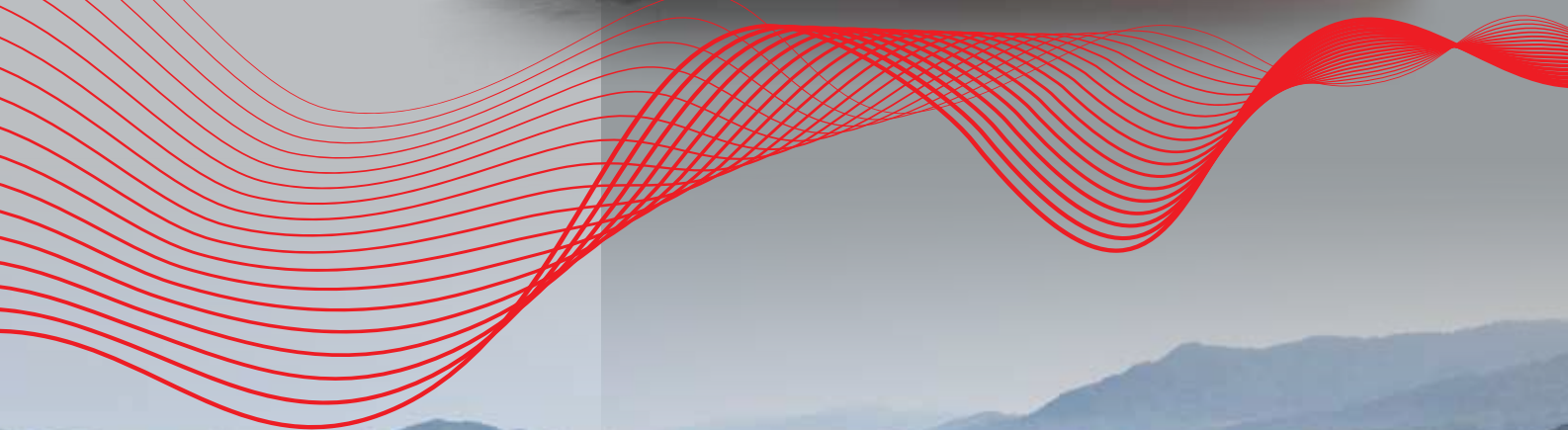
Lot 3A, 5 & 6, Cubic Space
6, Jalan Teknologi ¾
Taman Sains Selangor 1, Kota Damansara
47810 Petaling Jaya, Selangor Darul Ehsan
Malaysia

Tel : 03-2300 8010

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www.pekat.com.my

ENGINEERED FOR
A BRIGHTER &
SUSTAINABLE FUTURE



PROSPECTUS

ENGINEERED FOR A BRIGHTER
& SUSTAINABLE FUTURE



PROSPECTUS



Pekat Group Berhad

Registration No. 201901011563 (1320891-U)
(Incorporated in Malaysia under the Companies Act 2016)

Adviser, Sponsor, Underwriter and Placement Agent



M&A SECURITIES SDN BHD

Registration No. 197301001503 (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A participating Organisation of Bursa Malaysia Securities Berhad)

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

(I) PUBLIC ISSUE OF 138,668,000 NEW ORDINARY SHARES IN
OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- 32,248,600 NEW SHARES AVAILABLE FOR APPLICATION BY
THE MALAYSIAN PUBLIC;
- 16,124,200 NEW SHARES AVAILABLE FOR APPLICATION BY
OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS
PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF
OUR GROUP; AND
- 90,295,200 NEW SHARES BY WAY OF PRIVATE PLACEMENT
TO SELECTED BUMIPUTERA INVESTORS APPROVED BY
THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
AND SELECTED INVESTORS

(II) OFFER FOR SALE OF 32,248,000 EXISTING SHARES BY WAY OF
PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.32 PER SHARE, PAYABLE IN
FULL UPON APPLICATION.

This Prospectus has been registered by the Securities Commission Malaysia ("SC"). The registration of this Prospectus, should not be taken to indicate that the SC recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. The SC is not liable for any non-disclosure on the part of the company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

YOU ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" COMMENCING ON PAGE 210.

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

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

This Prospectus is dated 2 June 2021

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

M&A Securities Sdn Bhd, being the Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

A copy of this Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

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

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

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 15 February 2021. Our admission to the Official List of the ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares. Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

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

Further, it shall also be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Forms and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

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

In the event of any discrepancy arising between the contents of the electronic and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of this Prospectus registered with the SC shall prevail.

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

- (i) We and our Adviser do not endorse and is not affiliated in any way with the Third Party Internet Sites and is not responsible for the availability of, or the contents or any data, information, files or other material provided on the third party internet sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) We and our Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and
- (iii) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (a) The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and

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

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

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

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

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application	2 June 2021
Closing of Application	10 June 2021
Balloting of the Application	14 June 2021
Allotment/transfer of our IPO Shares to successful applicants	21 June 2021
Date of Listing	23 June 2021

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

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

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

All references to "Pekat" and the "Company" in this Prospectus are to Pekat Group Berhad (Registration No. 201901011563 (1320891-U)). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and, save where the context otherwise requires, our subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word "approximately" used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest hundredth or 1 decimal place (for percentages) or dollar and sen for currency. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

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

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

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

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

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

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FORWARD-LOOKING STATEMENTS

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

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (i) Demand for our products and services;
- (ii) Our business strategies and prospects;
- (iii) Our financial position; and
- (iv) Our ability to pay future dividends.

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

- (a) The economic, political and investment environment in Malaysia and globally; and
- (b) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Section 8 - Risk Factors" and "Section 11 - Financial Information". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

DEFINITIONS

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

COMPANIES WITHIN OUR GROUP:

"Pekat" or "Company"	: Pekat Group Berhad (Registration No. 201901011563 (1320891-U))
"Pekat Group" or "Group"	: Pekat and its subsidiaries and associated companies, collectively
"Pekat Teknologi"	: Pekat Teknologi Sdn Bhd (Registration No. 199901015679 (490579-A)), a wholly-owned subsidiary of Pekat

Subsidiaries of Pekat Teknologi

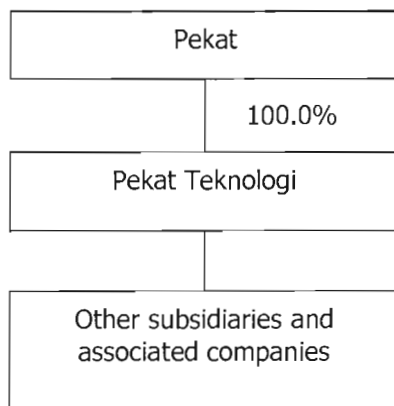
"E&LP Engineering"	: E&LP Engineering Sdn Bhd (Registration No. 200701023462 (781479-U))
"Pekat Engineering"	: Pekat Engineering Sdn Bhd (Registration No. 201001038837 (922761-K))
"Pekat E&LP"	: Pekat E&LP Sdn Bhd (Registration No. 201001038875 (922799-H))
"Pekat LEDSystems"	: Pekat LEDSystems Sdn Bhd (Registration No. 200601000779 (720526-P))
"Pekat Solar"	: Pekat Solar Sdn Bhd (Registration No. 201001038864 (922788-W))
"Pnexsoft"	: Pnexsoft Sdn Bhd (Registration No. 201801033283 (1295310-T))

Associated companies under Pekat Teknologi

"J8K Energy"	: J8K Energy Sdn Bhd (Registration No. 201901019545 (1328874-W))
"MFP Solar"	: MFP Solar Sdn Bhd (Registration No. 201901031134 (1340464-D))
"Pekat Energy Sarawak"	: Pekat Energy (Sarawak) Sdn Bhd (Registration No. 201601030269 (1201210-V))
"Sunway Pekat Solar"	: Sunway Pekat Solar Sdn Bhd (Registration No. 201901022491 (1331820-M))

DEFINITIONS (Cont'd)

A diagrammatic illustration of our Group structure is as follows:



We operate in 3 distinct business areas, namely:

(i) Solar Division Design, supply and installation of solar PV systems and power plants

We carry out the design, supply and installation of on-grid and off-grid solar PV systems and power plants, where we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so) and delivering them to our customers. We engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. Solar PV systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.

(ii) ELP Division Supply and installation of ELP systems

Our supply and installation of ELP systems for buildings, facilities and structures are to protect people, property and equipment from unintended electric current. We are engaged as a specialist subcontractor for ELP systems by main contractors or M&E contractors.

(iii) Trading Division Distribution of electrical products and accessories

The distribution of electrical products and accessories involve the sales and marketing of our own brands and third party brands of electrical products and accessories, namely ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.

GENERAL:

"ACE Market" : ACE Market of Bursa Securities

"Act" : Companies Act 2016

DEFINITIONS (*Cont'd*)

"Acquisition of Pekat Teknologi"	: Acquisition by Pekat of the entire share capital of Pekat Teknologi for a purchase consideration of RM50,630,000 which was wholly satisfied by the issuance of 506,300,000 new Shares at an issue price of RM0.10 per Share. The Acquisition of Pekat Teknologi was completed on 17 March 2021 and resulted in Pekat Teknologi becoming a wholly-owned subsidiary of Pekat
"ADA"	: Authorised Depository Agent
"Adviser" or "Sponsor"	: M&A Securities
"Application"	: The application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
"Application Form"	: The printed application form for the application of our IPO Shares accompanying this Prospectus
"ATM(s)"	: Automated Teller Machine(s)
"Bekal Hikmat"	: Bekal Hikmat Sdn Bhd (Registration No. 199301003403 (258140-K))
"Board"	: Board of Directors of Pekat
"Bursa Depository" or "Depository"	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"CAGR"	: Compounded annual growth rate
"CPC"	: Certificate of practical completion
"CDS"	: Central Depository System
"CDS Account"	: An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
"CIDB"	: Construction Industry Development Board
"Closing Date"	: The date adopted in this Prospectus as the last date for acceptance and receipt of Application
"CMSA"	: Capital Markets and Services Act 2007
"Constitution"	: Constitution of our Company
"Cubic Space Office"	: 3 units of 3-storey semi-detached factories located at Lot 3A, 5 and 6, Cubic Space, 6, Jalan Teknologi 3/4, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor. Further details on the Cubic Space Office is set out in Section 6.17.2(i)

DEFINITIONS (Cont'd)

"Depository Rules"	:	The Rules of Bursa Depository and any appendices thereto
"DDWG"	:	Due diligence working group for the purpose of our IPO
"Director"	:	Either an executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
"EBIT"	:	Earnings before interest and taxation
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
"Electronic Share Application"	:	Application for our IPO Shares through a Participating Financial Institution's ATM
"Elmina Land"	:	An industrial freehold land bearing title H.S.(D) 287163, Lot No. PT 50350, Mukim of Sungai Buloh, in the District of Petaling, State of Selangor. We intend to build our new head office and operational facility on this land
"EPCC"	:	Engineering, procurement, construction and commissioning
"EPS"	:	Earnings per share
"ETP"	:	Economic Transformation Programme
"FiT"	:	Feed-in Tariff
"FYE(s)"	:	Financial year(s) ended 31 December
"GP"	:	Gross profit
"Hextar"	:	Hextar Holdings Sdn Bhd (Registration No. 200601002945 (722692-V))
"IFRS"	:	International Financial Reporting Standards
"IMR" or "Vital Factor"	:	Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T)), our Independent Business and Market Research Consultants
"IMR Report"	:	Independent Market Research Report titled "Independent Assessment of the Solar Photovoltaic, Earthing and Lightning Protection System and Distribution of Electrical Products Industries in Malaysia"
"Initial Public Offering" or "IPO"	:	Our initial public offering comprising our Public Issue and Offer for Sale
"Internet Participating Financial Institutions"	:	Participating financial institutions for Internet Share Application as listed in Section 15

DEFINITIONS (Cont'd)

"Internet Share Application"	:	Application for our IPO Shares through an online share application service provided by the Internet Participating Financial Institutions
"IPO Price"	:	Our issue price/offer price of RM0.32 per Share pursuant to our Public Issue and Offer for Sale
"IPO Share(s)"	:	The Issue Share(s) and Offer Share(s), collectively
"ISO"	:	International Organisation for Standardisation
"Issue Share(s)"	:	The 138,668,000 new Share(s) to be issued pursuant to our Public Issue subject to the terms and conditions of this Prospectus
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM95,003,780 comprising 644,968,200 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"Listing Scheme"	:	Comprising our Public Issue, Offer for Sale and Listing, collectively
"LPD"	:	3 May 2021, being the latest practicable date for ascertaining certain information contained in this Prospectus
"LSS"	:	Large Scale Solar
"M&A Securities"	:	M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"M&E"	:	Mechanical and electrical
"Malaysian Public"	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
"Market Day(s)"	:	Any day(s) between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
"MCO"	:	Movement control order
"MFCI"	:	Mega First C&I Solar Sdn Bhd (Registration No. 202001013614 (1369934-A))
"MFPI"	:	Mega First Power Industries Sdn Bhd (Registration No. 199601020584 (392936-W))
"MFRS"	:	Malaysian Financial Reporting Standards
"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry Malaysia
"NA"	:	Net assets

DEFINITIONS (Cont'd)

"NBV"	:	Net book value
"NEM"	:	Net Energy Metering
"Nexstream"	:	Nexstream Sdn Bhd (Registration No. 200601013211 (732962-U))
"Offer for Sale"	:	The offer for sale by our Selling Shareholders of 32,248,000 Offer Shares at our IPO Price by way of private placement to selected investors
"Offer Shares"	:	32,248,000 existing Shares to be offered pursuant to our Offer for Sale
"Official List"	:	The list specifying all securities which have been admitted for listing of Bursa Securities and not removed
"Participating Financial Institutions"	:	Participating financial institutions for Electronic Share Application, as listed in Section 15
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price-to-earnings multiple
"Pekat Teknologi Shares"	:	Ordinary shares in Pekat Teknologi
"Pink Form Allocations"	:	The allocation of 16,124,200 Issue Shares to our eligible Directors and employees as well as persons who have contributed to the success of our Group
"Placement Agent"	:	M&A Securities
"PPA"	:	Power purchase agreement
"Promoters"	:	Collectively, Chin Soo Mau, Tai Yee Chee and Wee Chek Aik
"Prospectus"	:	This prospectus dated 2 June 2021 in relation to our IPO
"Proton"	:	Perusahaan Otomobil Nasional Sdn Bhd (Registration No. 198301005788 (100995-U))
"Public Issue"	:	The public issue of 138,668,000 Issue Shares at our IPO Price
"ROC"	:	Registrar of Companies
"SARES"	:	Sarawak Alternative Rural Electrification Scheme
"SC"	:	Securities Commission Malaysia
"SEDA"	:	Sustainable Energy Development Authority
"SELCO"	:	Solar PV facilities used to generate power for self-consumption
"Selling Shareholders"	:	Chin Soo Mau, Tai Yee Chee and Wee Chek Aik, whom are undertaking the Offer for Sale

DEFINITIONS (Cont'd)

"Shares" or "Pekat Shares"	: Ordinary shares in Pekat
"SICDA" or "Depository Act"	: Securities Industry (Central Depositories) Act, 1991
"sq ft"	: Square foot
"SST"	: Sales and Service Tax
"Startige"	: Startige Corporation Sdn Bhd (Registration No. 200601005616 (725365-V))
"Sunway Construction"	: Sunway Construction Group Berhad (Registration No. 201401032422 (1108506-W))
"TNB"	: Tenaga Nasional Berhad (Registration No. 199001009294 (200866-W))
"Underwriter"	: M&A Securities
"Underwriting Agreement"	: The underwriting agreement dated 22 April 2021 entered into between our Company and M&A Securities pursuant to our IPO
"USA"	: United States of America
"VAT Manufacturing"	: VAT Manufacturing (Malaysia) Sdn Bhd (Registration No. 201101035827 (963961-V))
"Vendors"	: Collectively, Chin Soo Mau, Tai Yee Chee, Wee Chek Aik and Hextar

CURRENCIES:

"CHF"	: Swiss Franc
"Euro"	: European Union currency
"RMB"	: Ren Min Bi
"RM" and "sen"	: Ringgit Malaysia and sen respectively
"USD"	: United States Dollar

TECHNICAL GLOSSARY:

Alternating Current (AC)	: An electric current that reverses direction from time to time. The electricity that is delivered through the grid to users is usually in AC, and it is the common form of electricity that powers many electrical appliances, machinery, and equipment
Balance of system	: The balance of system refers to all of the equipment and components of a solar PV system or solar PV power plant, other than the solar PV panels. They include, among others, inverters, mounting frames, wiring and switches, junction boxes with fuses and relays, energy generation and bi-directional meters, energy management and monitoring systems, safety equipment including ELP system, energy storage system (where required), and auxiliary power sources such as power generating set (where required)

DEFINITIONS (*Cont'd*)

Battery	:	A device that stores electricity. Electricity flows into and out of a battery in DC. Batteries may be single-use or rechargeable
Battery pack	:	A set of individual batteries that are connected together to deliver the desired voltage and storage capacity. For solar PV facilities, battery packs are rechargeable and used to store electricity during the day and provide electricity during periods of low or no sunlight
Bi-directional meter	:	A device used in grid-connected solar PV facilities to measure and record the quantity of electricity drawn from the power grid, and supplied to the power grid
Circuit breaker	:	A device that is designed to protect devices and equipment attached to an electrical circuit by automatically breaking that circuit when excess electricity is detected. Circuit breakers that are designed to protect DC circuits are known as "DC circuit breakers"
Conductor	:	A material or device made of aluminium or copper that allows electricity to flow through it with low or no resistance
Direct Current (DC)	:	Refers to the flow of electricity in one direction only, namely from the negative terminal through the circuit and to the positive terminal. Electricity generated by solar PV facilities is in DC. DC has to be converted into AC (using an inverter) before it can be used by most electrical appliances, machinery, and equipment, or transmitted over the power grid
Down conductor	:	In a lightning protection system, the down conductor connects the lightning rods and roof conductors to the earth electrode
Earth continuity conductor	:	In an earthing system, the earth continuity conductors are used to connect the earth lead to various points of the power system
Earth electrode	:	The part of an earthing system and lightning protection system that is buried in the earth to dissipate undesirable electricity
Earth lead	:	In an earthing system, the earth lead is the conductor that forms the main connection point between a facility's power system to the earth electrode
Earthing and lightning protection (ELP) system	:	A system designed to reduce the risk posed by undesirable electricity to people, property, and equipment in a facility by creating a pathway for undesirable electricity to travel safely to the earth, where it is dissipated. It is generally made up of 2 inter-related parts, namely the earthing system and lightning protection system
Earthing system	:	A system that connects the conductive parts of a facility to the earth. The system is designed to channel undesirable electricity to be dissipated safely to earth

DEFINITIONS (Cont'd)

Electricity	: Electricity is a secondary energy source derived from electromagnetism, one of the natural forces. As a secondary energy source, the generation of electricity relies on primary energy sources such as solar, wind, fossil fuels, hydropower, and radioactive materials. In the context of this Prospectus, it is used synonymously with "power", unless indicated otherwise
Electricity meter	: A device used to monitor the flow of electricity. Examples of electricity meters used include bi-directional, commercial, and electricity generation meters
Energy management system	: A system that regulates power generation from the connected sources (which may include solar PV panels, power generator set and/or battery), controls power usage by connected users and manages the flow of electricity into and out of a battery to prevent damage from over-charging or over-discharging (if one is connected)
Energy storage system	: A system installed in some solar PV facilities that is used to store power, so that it can be supplied when there is low or no sunlight. An energy storage system commonly consists of battery packs and energy management system
Facility	: A place, such as one or more buildings, structures, and open areas, where a particular activity is carried out. For example, a factory is a type of facility where manufacturing activities are carried out
Ground mounted	: Refers to a solar PV facility where the solar PV panels are mainly installed on the ground
Interconnection	: Refers to where a solar PV system at a facility is connected to the power grid, commonly within the premises of the facility. For solar PV power plants designed for export to the power grid, the interconnection includes power cables connecting the solar PV power plant to a substation of the power grid
Inverter	: A device that converts DC into AC
Kilowatt	: Equivalent to one thousand watts. See watt
Kilowatt hour (kWh)	: The unit of measure in kilowatt to express the storage capacity of an energy storage system, including battery packs. One kilowatt hour refers to the supply of one kilowatt of power sustained for one hour
Kilowatt peak (kWp)	: The unit of measure in kilowatt to express the maximum DC power output that a solar PV cell, module, panel, array, or facility can generate under optimum conditions. Kilowatt is equivalent to one thousand watts
Light emitting diode (LED)	: A semiconductor device that emits visible light when electricity passes through it. LED lightbulbs are used to provide illumination

DEFINITIONS (Cont'd)

Lightning	:	Refers to the natural electrical discharge, of high voltage and short duration, between a cloud and objects on the ground, such as buildings, structures, and trees. Lightning is accompanied by a bright flash of light and thunder
Lightning protection system	:	A system designed to channel electricity from lightning strikes to the earth safely, without passing through any other object
Lightning rod	:	A device that is designed to attract lightning so that lightning strikes the lightning rod preferentially over other nearby objects
Lightning strike	:	A lightning strike occurs when lightning hits an object
Megawatt (MW)	:	Equivalent to one million watts
Megawatt peak (MWp)	:	The unit of measure in megawatt to express the maximum DC power output that a solar PV cell, module, panel, array, or facility can generate under optimum conditions. One megawatt is equivalent to one million watts
Off-grid	:	A solar PV facility that is not connected to any power grid. Off-grid solar PV facility is common for remote households or villages where it is not practical to be connected to the power grid
On-grid	:	Refers to a solar PV facility that is connected to the power grid. This system can draw electricity from the grid when consumption exceeds electricity generated by the solar PV facility and supply electricity to the grid when electricity generated by the solar PV facility exceeds consumption. Some solar PV facility is designed to only export power to the power grid
Photovoltaic (PV)	:	Refers to the conversion of energy in sunlight into electricity
Power	:	In the context of this prospectus, it is used synonymously with "electricity", unless indicated otherwise
Power grid	:	The power transmission and distribution network that cover large areas to connect power generation to user premises and devices. Commonly it refers to the national or state power grid
Rechargeable battery	:	A power storage device that can be used and recharged multiple times
Renewable energy	:	An energy source that is naturally replenished in a short period of time. Examples of renewable energy sources include solar, wind, hydro, current, wave, and geothermal heat
Right-of-way	:	Refers to the right granted by a landowner for the purpose of building structures and stringing cables between them, as well as for burial of cables underground
Roof conductors	:	In a lightning protection system, the roof conductors connect all of the installed lightning rods, and to the down conductors
Solar farm	:	Used interchangeably with "solar PV power plant," except when it refers to facilities that export to the power grid

DEFINITIONS (*Cont'd*)

Solar PV array	:	The interconnected arrangement of mounted solar PV panels
Solar PV facility	:	A term that collectively refers to solar PV systems and/or power plants
Solar PV module	:	An arrangement of multiple interconnected solar PV cells that are assembled together as a single unit encased within a frame. The number of interconnected cells can range from several cells to slightly more than 100 cells per solar PV module. They are also known as "solar modules"
Solar PV panel	:	2 or more interconnected solar PV modules that are assembled together as a single unit. They are also known as "solar panels"
Solar PV power plant	:	Refers to a solar PV facility with installed capacity of 1 or more MWp. To achieve the large power generating capacity, electricity is mainly generated by a large number of solar PV panels arranged in arrays, usually covering a large area
Solar PV system	:	Refers to a solar PV facility with installed capacity of less than 1 MWp
Submain earthing conductors	:	In an earthing system, the submain earthing conductors are the cables that connect the distribution board to various switch boards
Substation	:	A component of the power grid that performs functions such as changing the voltage from high to low (known as step-down), or from low to high (step-up), or distributing the power to other locations or for some other functions. It also provides the interconnection point between the power grid and the power generator or distribution to users
Surge protection device	:	A device that is designed to protect appliances, equipment, and machinery connected to an electrical circuit by automatically breaking the circuit when a voltage surge that exceeds a predetermined level is detected
Transformer	:	A type of electrical equipment that changes the voltage from high to low (known as step-down), or from low to high (step-up). For example, electricity generated by a solar PV power plant passes through a step-up transformer, where its voltage is stepped-up to the required voltage for transmission
Watt	:	A unit of measure for energy within an electrical current with a potential difference of one volt and current of one ampere

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Gender)	Designation	Address	Nationality
Kok Kong Chin (M)	Independent Non-Executive Chairman	21, Lorong Batai Barat Bukit Damansara 50490 Kuala Lumpur	Malaysian
Chin Soo Mau (M)	Managing Director	8, Jalan Kenyalang 11/5C D'Villa Botany, Kota Damansara 47810 Petaling Jaya Selangor	Malaysian
Tai Yee Chee (M)	Executive Director	10, Jalan Sutera 5 Jalil Sutera 57000 Kuala Lumpur	Malaysian
Wee Chek Aik (M)	Executive Director	19, Jalan Casabella 2 Jalan Teknologi 3/11 Kota Damansara PJU 5 47810 Petaling Jaya Selangor	Malaysian
Teh Li King (M)	Non-Independent Non-Executive Director	8, Solok Mahkota 1D Bandar Baru Klang 41150 Klang Selangor	Malaysian
Ong Keng Siew (M)	Independent Non-Executive Director	Unit 3-11-7, The Residence Condo Jalan Wan Kadir 5 Taman Tun Dr Ismail 60000 Kuala Lumpur	Malaysian
Yeong Siew Lee (F)	Independent Non-Executive Director	17, Jalan PJU 3/20B Tropicana Indah 47810 Petaling Jaya Selangor	Malaysian
Datin Shelina Binti Razaly Wahi (F)	Independent Non-Executive Director	30, Jalan 14/56 46100 Petaling Jaya Selangor	Malaysian

Notes:

M refers to male
F refers to female

1. CORPORATE DIRECTORY (Cont'd)

AUDIT COMMITTEE

Name	Designation	Directorship
Ong Keng Siew	Chairman	Independent Non-Executive Director
Kok Kong Chin	Member	Independent Non-Executive Chairman
Yeong Siew Lee	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Yeong Siew Lee	Chairperson	Independent Non-Executive Director
Ong Keng Siew	Member	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Kok Kong Chin	Chairman	Independent Non-Executive Chairman
Yeong Siew Lee	Member	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi	Member	Independent Non-Executive Director

RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Datin Shelina Binti Razaly Wahi	Chairperson	Independent Non-Executive Director
Kok Kong Chin	Member	Independent Non-Executive Chairman
Ong Keng Siew	Member	Independent Non-Executive Director

REGISTERED OFFICE

: Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone number: 03-2783 9191

HEAD OFFICE

: Lot 3A, 5 & 6, Cubic Space
6, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor

Telephone number: 03-2300 8010

EMAIL ADDRESS AND WEBSITE

: Email address: enquiries@pekatgroup.com
Website: <https://www.pekat.com.my/>

1. CORPORATE DIRECTORY (Cont'd)

COMPANY SECRETARIES

: Rebecca Kong Say Tsui (MAICSA 7039304)
(Chartered Secretary, Associate of the Malaysian
Institute of Chartered Secretaries and Administrators)

Wong Yoke Fun (MAICSA 7027345)
(Chartered Secretary, Fellow of the Malaysian Institute of
Chartered Secretaries and Administrators)

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone: 03-2783 9191

**AUDITORS AND REPORTING
ACCOUNTANTS FOR OUR IPO**

: **Grant Thornton Malaysia PLT (Registration No.
201906003682 & LLP0022494-LCA (AF 0737))**

Level 11
Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

Telephone number: 03-2692 4022

Partner's name: Ooi Poh Lim
Approval number: 03087/10/2021 J
(Chartered Accountant, Malaysian Institute of
Accountants, Association of Chartered Certified
Accountants)

**PRINCIPAL ADVISER, SPONSOR,
UNDERWRITER AND PLACEMENT
AGENT**

: **M&A Securities Sdn Bhd (Registration No.
197301001503 (15017-H))**

Level 11, No. 45 & 47, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: 03-2284 2911

SOLICITORS FOR OUR IPO

: **Wong Beh & Toh**

Level 19, West Block
Wisma Golden Eagle Realty
No. 142-C, Jalan Ampang
50450 Kuala Lumpur

Telephone number: 03-2713 6050

1. CORPORATE DIRECTORY (Cont'd)

SHARE REGISTRAR AND ISSUING HOUSE : **Tricor Investor & Issuing House Services Sdn Bhd (Registration No. 197101000970 (11324-H))**

Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone number: 03-2783 9299

INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS : **Vital Factor Consulting Sdn Bhd (Registration No. 199301012059 (266797-T))**

V Square @ PJ City Centre (VSQ)
Block 6, Level 6
Jalan Utara
46200 Petaling Jaya
Selangor

Telephone number: 03-7931 3188

Person-in-charge: Wooi Tan
(Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia, Bachelor of Science from The University of New South Wales, Australia and a Fellow of the Australian Marketing Institute, and Institute of Managers and Leaders, Australia (formerly known as the Australian Institute of Management))

LISTING SOUGHT : ACE Market of Bursa Securities

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2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Approval from Bursa Securities

Bursa Securities had vide its letter dated 15 February 2021 approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Submission of the following information in respect of the moratorium on the shareholdings of the Promoters to the Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied
2.	Approvals from other relevant authorities have been obtained for implementation of the Listing.	Complied
3.	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of Listing Requirements.	To be complied
4.	Furnish to Bursa Securities with a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Pekat on the first day of Listing.	To be complied
5.	Any director of Pekat that has not attended the Mandatory Accreditation Programme must do so prior to the Listing.	Complied
6.	In relation to the public offering to be undertaken by Pekat, please announce at least 2 Market Days prior to the Listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche, in format prescribed; and (iv) Disclosure of placees who become substantial shareholders of Pekat arising from the public offering, if any. M&A Securities is reminded to ensure that the overall distribution of Pekat's securities is properly carried out to mitigate any disorderly trading in the secondary market.	To be complied
7.	Pekat/M&A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Pekat to the Official List of the ACE Market.	To be complied
8.	Pekat/M&A Securities to ensure full compliance of all requirements as provided under the Listing Requirements at all times.	Noted

2. APPROVALS AND CONDITIONS (Cont'd)**2.1.2 Approval from SC**

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

The SC had, vide its letter dated 12 May 2021, approved the resultant equity structure of Pekat under the equity requirement for public listed companies pursuant to our Listing.

The approval from the SC is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Pekat to allocate Shares equivalent to at least 12.5% of its enlarged number of issued shares at the point of Listing to Bumiputera investors to be approved by the MITI. In addition, Pekat to make available at least 50% of the balloting portion for subscription by Bumiputera public investors.	To be complied

The effect of our Listing on the equity structure of Pekat shall be as follows:

Category of shareholders	As at 1 April 2021		After Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Malaysian public via balloting	-	-	16,124,300	2.5
- Bumiputera investors approved by the MITI	-	-	⁽²⁾ 80,621,000	12.5
Total Bumiputera	-	-	⁽³⁾ 96,745,300	15.0
Non-Bumiputera	⁽¹⁾ 506,300,200	100.0	548,222,900	85.0
Total Malaysians	506,300,200	100.0	644,968,200	100.0
Foreigners	-	-	-	-
TOTAL	506,300,200	100.0	644,968,200	100.0

Notes:

⁽¹⁾ Including 2 subscriber shareholders with 100 Shares each.

⁽³⁾ Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed.

2.1.3 Waiver

M&A Securities had on behalf of our Company sought relief from the SC to waive the requirements for Pekat to comply with the following provision of the Prospectus Guidelines, which was approved by the SC vide its letter dated 25 June 2020:

2. APPROVALS AND CONDITIONS (Cont'd)

Guideline/Relief sought	SC's decision
Paragraph 9.05, Division 1, Part II of the Prospectus Guidelines - Equity	Approved, subject to:
Relief from having to provide the audited interim financial report and to disclose selected financial information, if the date of the prospectus issuance is later than 6 months after the end of the most recent financial year.	<p>(i) The date of the most recent audited financial year / financial period disclosed in the prospectus, should not exceed 9 months from the date of submission of prospectus for registration (Stage 1) to the SC;</p> <p>(ii) The unaudited interim financial statements, with the relevant management's discussion and analysis should be submitted together with the submission of prospectus for registration (Stage 1) to the SC; and</p> <p>(iii) If the audited financial information disclosed in the prospectus is required to be updated, then the updated prospectus should be submitted to the SC at least 14 market days prior to the submission of prospectus for registration (Stage 2) to the SC.</p>

2.1.4 Approval from MITI

The MITI had, vide its letter dated 4 May 2021, taken note and has no objection to our Listing.

2.1.5 Malaysian Code of Corporate Governance 2021 ("MCCG")

We intend to apply the following practices set out under the MCCG subsequent to our Listing:

MCCG Practice	Timeframe to comply
(i) Practice 1.4 where the Chairman of the Board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee; and	Within 3 months from our Listing
(ii) Practice 5.9 where the Board comprises at least 30% women directors.	Within 12 months from our Listing

2.2 MORATORIUM ON OUR SHARES**2.2.1 Moratorium on Promoters**

In accordance with Paragraph 3.19 of the Listing Requirements and pursuant to the conditions imposed under the approval letter by Bursa Securities, a moratorium will be imposed on the sale, transfer or assignment of those Pekat Shares held by our Promoters as follows:

- (i) The moratorium applies to the entire shareholdings of our Promoters for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");
- (ii) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to at least 45% of our total number of issued ordinary shares remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and

2. APPROVALS AND CONDITIONS (Cont'd)

- (iii) On the expiry of the Second 6-Month Moratorium, our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of those Pekat Shares held under moratorium.

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

Promoters	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium	
	⁽¹⁾No. of Shares	⁽²⁾%	⁽¹⁾No. of Shares	⁽²⁾%
Chin Soo Mau	225,061,800	34.9	187,926,263	29.1
Tai Yee Chee	66,776,900	10.4	56,000,950	8.7
Wee Chek Aik	55,638,300	8.6	46,308,477	7.2
	347,477,000	53.9	290,235,690	45.0

Notes:

(1) After the Offer for Sale.

(2) Based on the enlarged share capital of 644,968,200 Shares.

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

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

2.2.2 Moratorium on Hextar

Hextar, our substantial shareholder, has voluntarily agreed to place its entire shareholding under moratorium. It has provided the written undertaking to Bursa Securities that it will not sell, transfer or assign its shareholdings under moratorium during the period of 6 months from the Listing date.

Details of Hextar and its Shares which will be subject to the abovesaid moratorium, are set out below:

Shareholder	No. of Shares	⁽¹⁾%
Hextar	126,575,000	19.6

Note:

(1) Based on the enlarged share capital of 644,968,200 Shares.

The shareholders of Hextar, namely Dato' Ong Soon Ho, Dato' Ong Choo Meng and Datin Teoh Siew Yoke @ Teoh Siew Chin have undertaken not to sell, transfer or assign their shareholdings in Hextar during the moratorium period.

3. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

3.1 PRINCIPAL STATISTICS RELATING TO OUR IPO

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

Allocation	No. of Shares	% ⁽¹⁾
Public Issue		
Malaysian Public ⁽²⁾	32,248,600	5.0
Eligible Directors and employees as well as persons who have contributed to the success of our Group	16,124,200	2.5
Private placement to Bumiputera investors approved by MITI	80,621,000	12.5
Private placement to selected investors	9,674,200	1.5
Offer for sale		
Private placement to selected investors	32,248,000	5.0
Enlarged number of Shares upon Listing	644,968,200	
IPO Price per Share	RM0.32	
Market capitalisation ⁽³⁾	RM206,389,824	

Notes:

⁽¹⁾ Based on our enlarged share capital of 644,968,200 Shares after the IPO.

⁽²⁾ 16,124,300 Shares will be made available to Bumiputera public investors.

⁽³⁾ Based on our IPO Price and our enlarged number of shares upon Listing.

Our Promoters' entire shareholdings after IPO will be under moratorium for 6 months from the date of Listing. Thereafter, our Promoters' shareholdings amounting to 45% of our share capital will remain under moratorium for another 6 months. Our Promoters may sell, transfer or assign up to a maximum of one-third per annum (on a straight line basis) of their shares held under moratorium upon expiry of the second 6 months.

Our substantial shareholder, Hextar's entire shareholding after IPO will be under moratorium for 6 months from the date of Listing. The shareholders of Hextar, namely Dato' Ong Soon Ho, Dato' Ong Choo Meng and Datin Teoh Siew Yoke @ Teoh Siew Chin have undertaken not to sell, transfer or assign their shareholdings in Hextar during the moratorium period.

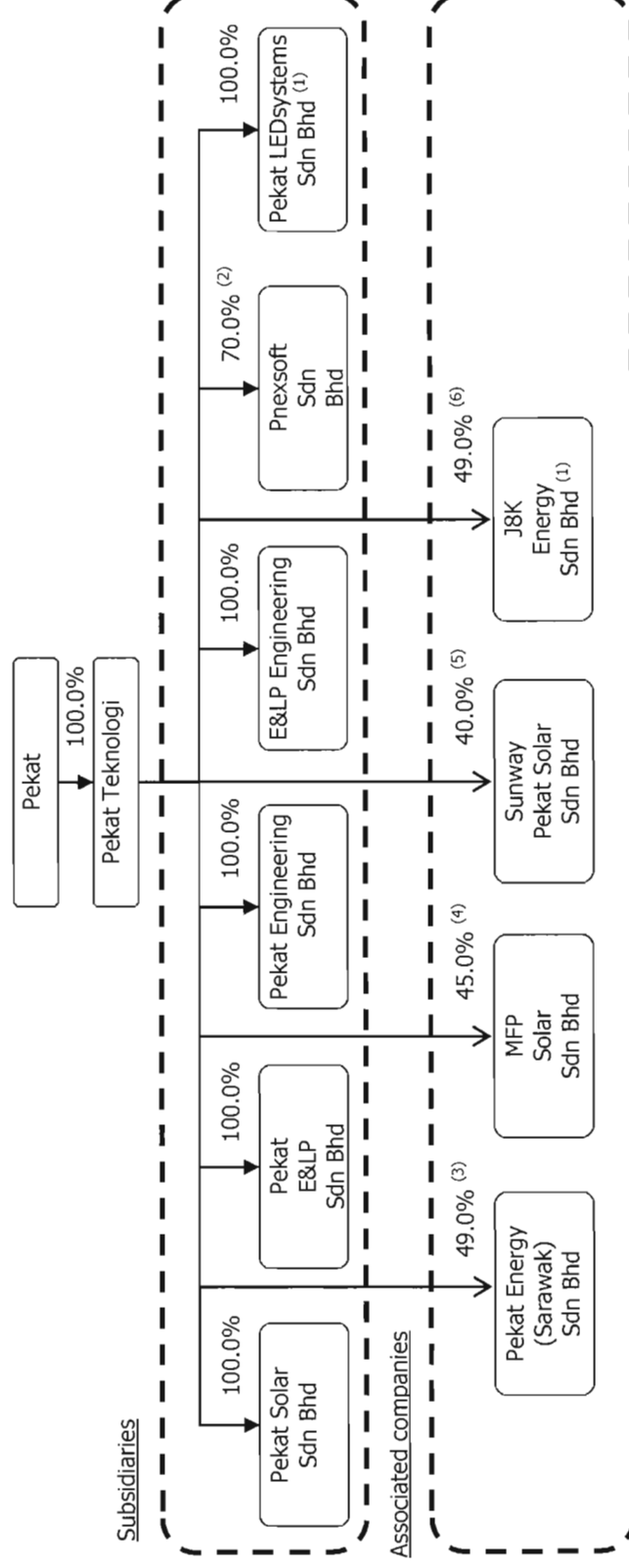
Further details on the moratorium on our shares are set out in Section 2.2.

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

3. PROSPECTUS SUMMARY (Cont'd)

3.2 BUSINESS MODEL

Our Company was incorporated in Malaysia on 5 April 2019 under the Act as a public limited company under the name of Pekat Group Berhad. We were incorporated as a special purpose vehicle to facilitate the listing of our subsidiary, Pekat Teknologi and its subsidiaries/associated companies, on the ACE Market. Our Group structure after the Proposed Acquisition of the Pekat Teknologi is set out below:



Notes:

(1) Dormant.

The remaining equity interest is held by Nexstream Sdn Bhd.

The remaining equity interest is held by Azlina Binti Zulkipili.

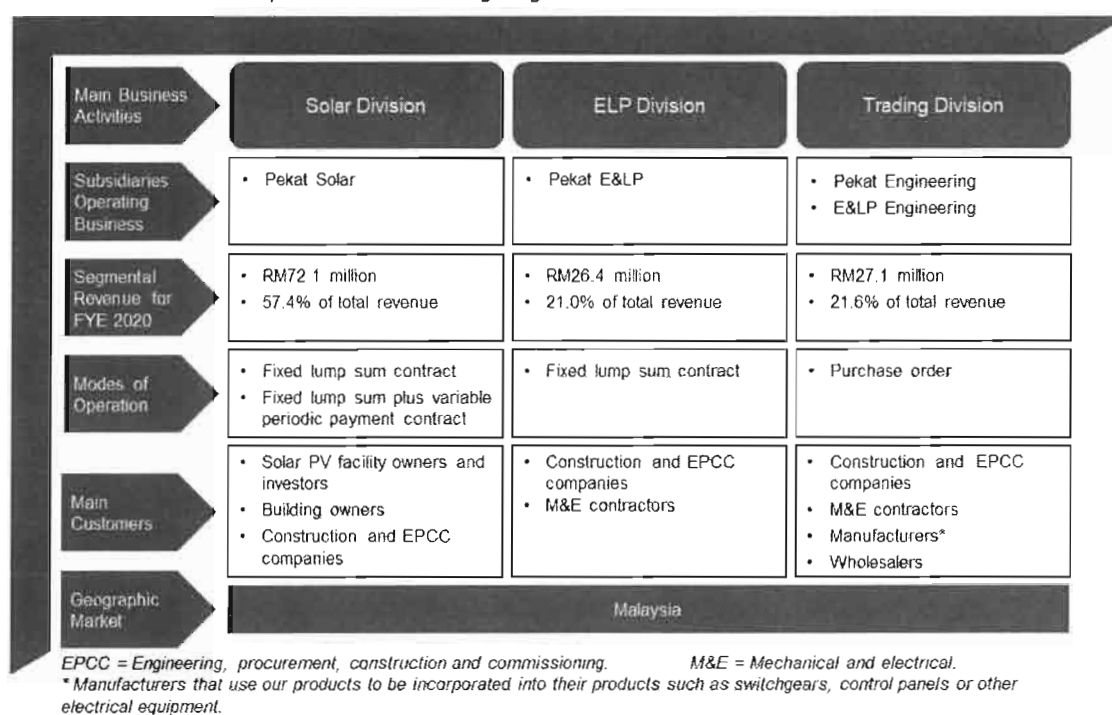
The remaining equity interest is held by MFCI.

The remaining equity interest is held by Sunway Engineering Sdn Bhd.

The remaining equity interest is held by Jawala Corporation Sdn Bhd. Jawala Corporation Sdn Bhd is principally engaged in trading, engineering procurements, counter trade (trading via exchange of goods) and investment holding.

3. PROSPECTUS SUMMARY (Cont'd)

Our business model is depicted in the following diagram:



We operate in 3 distinct business areas, namely:

- (i) **Solar Division** **Design, supply and installation of solar PV systems and power plants**
- We carry out the design, supply and installation of on-grid and off-grid solar PV systems and power plants, where we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so) and delivering them to our customers. We engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. Solar PV systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.
- (ii) **ELP Division** **Supply and installation of ELP systems**
- Our supply and installation of ELP systems for buildings, facilities and structures are to protect people, property and equipment from unintended electric current. We are engaged as a specialist subcontractor for ELP systems by main contractors or M&E contractors.
- (iii) **Trading Division** **Distribution of electrical products and accessories**
- The distribution of electrical products and accessories involve the sales and marketing of our own brands and third party brands of electrical products and accessories, namely ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.

Further details of our Group and our business model are set out in Section 6. For the past 4 FYEs 2017 to 2020, our revenue was derived from Malaysia and is denominated in RM.

3.3 IMPACT OF COVID-19 AND MCO

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

3. PROSPECTUS SUMMARY (Cont'd)

We experienced disruptions to our Solar Division and ELP Division due to stoppages at our installation sites and reduced installation site staffing levels, as follows:

	Solar Division	ELP Division
Work site stoppage	18 March 2020 to 6 May 2020	18 March 2020 to 26 April 2020
Reduction in work site staff levels	7 May 2020 to 9 June 2020	27 April 2020 to 9 June 2020

These disruptions have affected our project implementation and billing schedules for some of our on-going solar PV and ELP projects. The implementation of projects amounting to RM9.8 million and RM2.2 million in revenue for our Solar Division and ELP Division, respectively was deferred from the 1st half of 2020 to the 2nd half of 2020, and consequently the corresponding revenue recognition was also deferred from the 1st half of 2020 to the 2nd half of 2020. RM3.5 million in revenue for our Solar Division and RM2.2 million in revenue for our ELP Division was deferred from fourth quarter of 2020 to second quarter of 2021.

We experienced some disruption to our Trading Division as this business activity was suspended when our head office was closed from 18 March 2020 to 5 May 2020, and resumed from 6 May 2020. During this period, we had ceased our sales activities for our Trading Division and ceased our product deliveries. However, none of the purchase orders that we had received prior to 18 March 2020 were cancelled.

During the MCO when our operations were fully halted, we incurred a total expense of RM3.0 million. The expenses incurred include Directors and staff salaries (RM2.6 million) and rental and upkeep of office (RM0.2 million) and other expenses (RM0.2 million). Nevertheless, save for the deferment in revenue for Solar and ELP Divisions stated above, there are no other financial impact for FYE 2020.

From 18 March 2020 up to the LPD, we did not receive any cancellation or suspension of any contracts or purchase orders. We have adopted the Government's guidelines and standard operating procedures to minimise the risk of Covid-19 to our staff and business operations. We have not breached any laws relating to Covid-19 restrictions. The contingency plans that we have in place in the event that one of our employees tests positive for Covid-19 include prohibition of site employees from returning to our head office, and employees who test positive for Covid-19 are required to quarantine themselves until they receive a negative test for Covid-19. Kindly refer to Section 6.7(v) for Covid-19 cases within our Group.

Reimposition of CMCO in Targeted Areas

CMCO conditions were reimposed in Selangor, Kuala Lumpur, Putrajaya, Sabah, and Labuan from 14 October 2020 to 9 November 2020. The control measures implemented in these areas included, among others, restrictions on the movement of people including prohibition of inter-district travel, limiting the operating hours of certain service-based businesses, closure of schools and encourage work from home. While the reimposition of CMCO covers our head office, there has been no material impact on operations in our head office. Although our office staff were allowed to return to the office, many of them were working from home. We manage our head office functions through virtual meetings. Our operational software, including our accounting, human resources and data storage, are cloud based and thus accessible by our staff from home. In addition, there has been no impact on our installation of solar PV facilities and ELP systems work sites, as our staff are allowed to travel to their respective work sites after obtaining the written approval from the police.

Reimposition of MCO, CMCO and RMC

MCO conditions were reimposed from 13 January 2021, and subsequently transitioned to CMCO or RMC depending on state. Subsequently, following increases in the number of new Covid-19 cases, the third MCO was reimposed in Kelantan from 16 April 2021, followed by 6 districts in Selangor which started from 6 May 2021 as well as Kuala Lumpur and several districts and mukims in Terengganu, Johor and Perak from 7 May 2021. On 10 May 2021, the Government announced the nationwide reimposition of MCO starting from 12 May 2021 to 7 June 2021. The control measures implemented in these areas included, among others, restrictions on or prohibition of interstate and/or inter-district travel, and social gatherings. As installation of solar PV facilities and ELP systems are classified under construction sector activities, installation work is allowed to proceed provided that stricter standard operating procedures (SOP) are followed.

3. PROSPECTUS SUMMARY (*Cont'd*)

Our installation works at worksites for solar PV facility and ELP system projects proceeded according to schedule, with work carried out in accordance with stricter SOP to minimise the risk of Covid-19 transmission at worksites. For our Trading Division, the business operations have not been materially affected by the recent MCO. Our Trading Division operations at our head office and warehouse continue in accordance with the stricter SOP.

Save for the temporary closure of operations in Malaysia during the MCO period and respective mandatory social distancing measures imposed in Malaysia, our Group has not experienced any other interruptions in our operations which had a significant effect on our operations during the past 12 months preceding the LPD. Kindly refer to Sections 6.7 and 8.1.1 on the impact of Covid-19 virus pandemic on our Group.

3.4 COMPETITIVE STRENGTHS

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

- (i) Our business is supported by 3 major revenue streams from Solar Division, ELP Division and Trading Division. Each of these business activities have their own customer base to provide business growth and opportunities, as well as diversification to minimise over dependency on any single group of customers.
- (ii) Our Trading Division provides synergistic benefits to our Solar Division and ELP Division. This is because the 2 divisions also use some of the electrical products and accessories for their respective projects.
- (iii) Our expertise extends from solar PV systems with installed capacity of less than 1.0 MWp, to solar PV power plants with an installed capacity of 1.0 MWp or more. Our experience in carrying out the design, supply and installation solar PV power plants and solar PV systems, as well as for industrial, commercial, residential and community properties and infrastructures will provide us with wide potential opportunities to sustain and grow our business.
- (iv) We have carried out the design, supply and installation of solar PV facilities that have been financed by the Government, including under the MySuria and SARES programmes as well as privately funded projects by solar PV facility owners and investors and building owners. This shows that we can meet the requirements of both government and private markets to provide our business with opportunities and growth. It also provides mitigation against dependency on only 1 sector of the market.
- (v) We have a track record of approximately 22 years in the distribution of electrical products and accessories, 21 years in the supply and installation of ELP systems and 11 years in the solar PV industry. Our track record also serves as a reference to facilitate securing new customers to grow our business.

Further details of our competitive strengths are set out in Section 6.8.

3.5 BUSINESS STRATEGIES AND PROSPECTS

A summary of our business strategies and prospects are set out below:

- (i) We intend to expand our existing solar PV and ELP system business through increasing our working capital. We intend to allocate RM12.7 million from our IPO proceeds for our Group's working capital requirements. The allocation to working capital is expected to enhance our Group's liquidity and cash flows, so that we will be in a stronger position to secure and complete more projects moving forward.

We plan to expand our sales and marketing team by hiring 10 additional personnel to enable us to cover a larger geographical area in Malaysia as well as service a larger pool of potential customers. We intend to target all categories of customers for Solar Division (namely commercial, industrial, residential, community and solar farms) and ELP Division (namely commercial, mixed development, infrastructure, industrial, community and non-projects based supply and installation).

3. PROSPECTUS SUMMARY (Cont'd)

As we secure more contracts, we will also need to expand our project teams by hiring 10 staff for our Solar Division and 3 staff for our ELP Division to enable us to implement more projects concurrently.

We intend to hire an additional 10 maintenance personnel to support our plan to increase our provision of maintenance services for solar PV facilities.

- (ii) On 8 July 2020, we completed the acquisition of Elmina Land measuring approximately 137,928 sq ft. We intend to build a new head office integrated with a showcase, central monitoring station, training centre, workshop and warehouse. Our proposed new head office and operational facility will be a "zero net energy building", whereby the total energy used will be equal to the amount of renewable energy generated on-site on an annual basis. Our new premises will also serve as a showcase for the use of solar PV as a renewable energy to power industries and commerce.

We expect to complete the construction of the new head office and operational facility in March 2023. This new head office and operational facility will replace our existing facilities housed in Cubic Space Office. The construction cost of our new head office and operational facility is estimated at RM18.0 million, which will be fully funded from our IPO proceeds.

- (iii) We intend to develop an integrated monitoring, management and assessment platform for solar PV facilities and ELP systems that we install. This platform will be used in our central monitoring station as well as sold to customers for their solar PV facilities or ELP systems. This platform will be modular and can be customised to meet specific customer's facilities.

Further details on our business strategies and prospects are set out in Section 6.19.

3.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 8. Some of the more important risk factors are summarised below:

- (i) Our business and operations were impacted by precautionary measures taken by the Government of Malaysia, particularly the imposition of the MCO. We experienced disruptions to Solar and ELP Divisions due to stoppages at our installation sites and reduced installation site staffing levels which have affected our project implementation and billing schedules for some on-going solar PV and ELP projects. We experienced some disruption to our Trading Division as the business activity was suspended from 18 March 2020 to 5 May 2020, and resumed from 6 May 2020.
- (ii) The contract periods of our solar PV projects were between 3 months to 18 months, while the contract periods of our ELP projects typically require between 12 months to 36 months, depending on the main contractor's work schedule. Our growth and profitability is dependent on our ability to continuously secure new projects and purchase orders. Our order book is subject to unexpected project cancellations or scope adjustments which may occur from time to time, and which could reduce the value of our order book. Purchase orders secured may also be cancelled.
- (iii) Our businesses are subject to the following risks:
 - (a) Our solar PV projects and ELP projects are subject to defect liability period. We are responsible for making good any defects or faults that may occur during the defect liability period;
 - (b) Some of the solar PV facility components and ELP systems components are covered against manufacturing defects by their respective product warranties and as a result, the manufacturers or suppliers are responsible for providing suitable replacements; and
 - (c) Under our Trading Division, we as a distributor are exposed to product liability risks. We are responsible for our brands of products, which we have back-to-back arrangements with our third party manufacturers. For third party brand products, we have back-to-back arrangement with our principals.

3. PROSPECTUS SUMMARY (Cont'd)

- (iv) We provide a minimum power supply guarantee to customers of our Solar Division under the fixed lump sum plus variable periodic payment contract mode of operation for the contract duration period as well as to MFP Solar's solar PV power plants. In the event that the solar PV facility does not generate the performance guarantee as set out in the respective contract, we will have to compensate the customer for the shortfall based on the terms specified in the respective contract.
- (v) We face competition from other service providers that serve the solar PV and ELP system industries. We compete on, among others, quality of product and service, timeliness of delivery, price competitiveness and value added services.

3.7 DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Kok Kong Chin	Independent Non-Executive Chairman
Chin Soo Mau	Managing Director
Tai Yee Chee	Executive Director
Wee Chek Aik	Executive Director
Teh Li King ⁽¹⁾	Non-Independent Non-Executive Director
Ong Keng Siew	Independent Non-Executive Director
Yeong Siew Lee	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi	Independent Non-Executive Director
Key Senior Management	
Chew Teik Siang	General Manager and Director of Pekat Solar
Wong Boon Kwang	General Manager and Director of Pekat E&LP
Oh Keng Jin	Chief Financial Officer

Note:

- (1) Corporate representative of Hextar, our substantial shareholder.

Further details of our Directors and key senior management are set out in Sections 5.2 and 5.3 respectively. The details of our Promoters and substantial shareholders in our Company before and after our IPO are as follows:

Name/ Nationality / Country of incorporation	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders								
Chin Soo Mau / Malaysian	237,961,000	47.0	-	-	⁽³⁾ 225,061,800	34.9	-	-
Tai Yee Chee / Malaysian	76,451,300	15.1	-	-	⁽³⁾ 66,776,900	10.4	-	-
Wee Chek Aik / Malaysian	65,312,700	12.9	-	-	⁽³⁾ 55,638,300	8.6	-	-
Substantial shareholders								
Hextar / Malaysia	126,575,000	25.0	-	-	126,575,000	19.6	-	-
Dato' Ong Soon Ho / Malaysian	-	-	⁽⁴⁾ 126,575,000	25.0	-	-	⁽⁴⁾ 126,575,000	19.6
Dato' Ong Choo Meng / Malaysian	-	-	⁽⁴⁾ 126,575,000	25.0	-	-	⁽⁴⁾ 126,575,000	19.6
Datin Teoh Siew Yoke @ Teoh Siew Chin / Malaysian	-	-	⁽⁴⁾ 126,575,000	25.0	-	-	⁽⁴⁾ 126,575,000	19.6

3. PROSPECTUS SUMMARY (Cont'd)

Notes:

- (1) Based on the share capital of 506,300,200 Shares after the Acquisition of Pekat Teknologi.
 (2) Based on the enlarged share capital of 644,968,200 Shares after the IPO.
 (3) After the Offer for Sale.
 (4) Deemed interested by virtue of their shareholdings in Hextar. As at the LPD, the shareholders and their respective shareholdings in Hextar are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Dato' Ong Soon Ho	Malaysian	53,444,328	23.9	⁽ⁱ⁾ 170,273,572	76.1
Dato' Ong Choo Meng	Malaysian	144,816,972	64.7	⁽ⁱⁱ⁾ 78,900,928	35.3
Datin Teoh Siew Yoke @ Teoh Siew Chin	Malaysian	25,456,600	11.4	⁽ⁱⁱⁱ⁾ 198,261,300	88.6

- (i) Deemed interested by virtue of his son and wife's shareholdings in Hextar.
 (ii) Deemed interested by virtue of his parents' shareholdings in Hextar.
 (iii) Deemed interested by virtue of her husband and son's shareholdings in Hextar.

Further details of the Promoters and substantial shareholders are set out in Section 5.1.2.

3.8 UTILISATION OF PROCEEDS

The gross proceeds arising from the Public Issue of approximately RM44.4 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation	RM'000	%
Construction of our new head office and operational facility	⁽¹⁾ March 2023	18,000	40.6
Working capital	⁽²⁾ 12 months	12,674	28.6
Repayment of bank borrowings	⁽²⁾ 3 months	10,000	22.5
Estimated listing expenses	⁽²⁾ 1 month	3,700	8.3
		44,374	100.0

Notes:

- (1) Kindly refer to Sections 4.10.1(i) and 6.19.2 for detailed timeline.
 (2) From the date of listing of our Shares.

There is no minimum subscription to be raised from our IPO. Detailed information on our utilisation of proceeds is set out in Section 4.10. The gross proceeds arising from the Offer for Sale of approximately RM10.3 million shall accrue entirely to our Selling Shareholders.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS**3.9.1 Historical combined statements of profit or loss and other comprehensive income**

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

	Audited			
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
Revenue	72,830	120,129	119,521	125,562
Cost of sales	(42,145)	(84,436)	(73,127)	(87,440)
GP	30,685	35,693	46,394	38,122
PBT	12,093	15,344	19,674	18,383

3. PROSPECTUS SUMMARY (Cont'd)

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
PAT attributable to:				
- Owners of the Company	9,361	11,096	14,794	13,576
- Non-controlling interests	103	(88)	61	(2)
PAT	9,464	11,008	14,855	13,574
EBIT	12,407	15,675	19,815	18,890
EBITDA	13,995	16,561	20,860	19,793
GP margin (%)	42.1	29.7	38.8	30.4
PBT margin (%)	16.6	12.8	16.5	14.6
PAT margin (%)	13.0	9.2	12.4	10.8
Effective tax rate (%)	21.7	28.3	24.5	26.2
EPS (sen) ⁽¹⁾	1.8	2.2	2.9	2.7
Diluted EPS (sen) ⁽²⁾	1.5	1.7	2.3	2.1

Notes:

⁽¹⁾ Calculated based on our PAT attributable to owners of the Company divided by the share capital of 506,300,200 Shares before our IPO.

⁽²⁾ Calculated based on our PAT attributable to owners of the Company divided by the enlarged share capital of 644,968,200 Shares after our IPO.

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

3.9.2 Pro forma combined statements of financial position

The following table sets out a summary of the pro forma combined statements of financial position of our Group to show the effects of the Acquisition of Pekat Teknologi, Public Issue and utilisation of IPO proceeds.

It is presented for illustrative purposes only and should be read together with the Pro forma Combined Statements of Financial Position as set out in Section 13.

	Pekat	I	II	III
	As at 31 December 2020	After Acquisition of Pekat Teknologi	After I and Public Issue	After II and utilisation of IPO proceeds
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Total non-current assets	-	23,109	23,109	41,109
Total current assets	6	101,704	146,078	114,178
TOTAL ASSETS	6	124,813	169,187	155,287
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*	50,630	95,004	93,104
Merger deficit	-	(50,080)	(50,080)	(50,080)
Retained earnings	(38)	63,256	63,256	61,256
	(38)	63,806	108,180	104,280
Non-controlling interests	-	70	70	70
TOTAL EQUITY	(38)	63,876	108,250	104,350
LIABILITIES				
Total non-current liabilities	-	13,960	13,960	3,960
Total current liabilities	44	46,977	46,977	46,977
TOTAL LIABILITIES	44	60,937	60,937	50,937
TOTAL EQUITY AND LIABILITIES	6	124,813	169,187	155,287

3. PROSPECTUS SUMMARY (Cont'd)

	Pekat	I	II	III
	As at 31 December 2020	After Acquisition of Pekat Teknologi	After I and Public Issue	After II and utilisation of IPO proceeds
	RM'000	RM'000	RM'000	RM'000
Number of Shares in issue ('000)	^	506,300	644,968	644,968
Net (liabilities)/asset per share (RM)	(188.84)	0.13	0.17	0.16
Gearing (times)	-	0.43	0.26	0.17

Notes:

* Representing RM20.00 only.

^ Representing 200 Shares only.

3.10 DIVIDENDS

Our Company does not have any formal dividend policy. As we are a holding company, our Company's income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. The payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

In respect of FYEs 2017 to 2020, dividends declared by our subsidiary, Pekat Teknologi were as follows:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Dividends declared	-	1,018	1,274	500

Notes:

FYE 2018

RM1.0 million was declared and paid on 5 September 2018. The dividends paid of RM1.0 million represent 9.2% of our PAT attributable to owners of the Company.

FYE 2019

- RM0.5 million was declared on 21 May 2019 and paid on 23 May 2019;
- RM0.3 million was declared on 4 November 2019 and paid on 11 November 2019; and
- RM0.5 million was declared on 31 December 2019 and paid on 13 January 2020.

The total dividends paid of RM1.3 million represent 8.6% of our PAT attributable to owners of the Company.

FYE 2020

RM0.5 million was declared on 16 March 2020 and paid on 18 March 2020. The dividends paid of RM0.5 million represent 3.7% of our PAT attributable to owners of the Company.

Further details of our dividends are set out in Section 11.13.

4. PARTICULARS OF OUR IPO

4.1 INTRODUCTION

This Prospectus is dated 2 June 2021. Our IPO is subject to the terms and conditions of this Prospectus.

We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC. Neither the SC nor the ROC takes any responsibility for its contents.

We have obtained the approval from Bursa Securities vide its letter dated 15 February 2021, for, amongst others, our admission to the Official List of the ACE Market and for the listing of and quotation for our entire enlarged share capital on the ACE Market.

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

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

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

You should rely only on the information contained in this Prospectus or any applicable supplemental Prospectus. Neither we nor our advisers have authorised anyone to provide you with information that is different and not contained in this Prospectus. The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus. Nonetheless, should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

We are not making any invitation to subscribe for our IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation are not authorised or unlawful, or to any person to whom it is unlawful to make such an offer or invitation. As the distribution of this Prospectus and the sale of our IPO Shares in certain other jurisdictions may be restricted by law, persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions. The distribution of this Prospectus and the making of our IPO in certain jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of our IPO Shares are subject to the Malaysian laws and we, together with M&A Securities as our Adviser, Sponsor, Underwriter and Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of our IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions.

4. PARTICULARS OF OUR IPO (Cont'd)

Applications for the Issue Shares may be made using either of the following:

Type of application form	Category of Investor
White Application Form or Electronic Share Application or Internet Share Application	Malaysian Public (for individuals)
White Application Form	Malaysian Public (for non-individuals, e.g. corporations, institutions etc)
Pink Form Applications	Our eligible Directors and employees as well as persons who have contributed to the success of our Group

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of Application Form, you must state your CDS Account number in the space provided in the Application Form. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for our IPO Shares.

Please refer to Section 15 for further details on the procedures for application for our IPO Shares. Details of the ADAs that you may open a CDS Account can be obtained at the following link:

<http://www.bursamalaysia.com/market/securities/equities/brokers>

If you are an individual with a CDS Account, you may make an Application by way of Electronic Share Application. You are required to furnish your CDS Account number to the Participating Financial Institution by keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so. A corporation or institution cannot apply for our IPO Shares by way of Electronic Share Application.

If you have a CDS Account and an existing account to their internet financial services of an Internet Participating Financial Institutions, you can make an Internet Share Application. You shall furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for our IPO Shares by way of Internet Share Application.

Our IPO is subject to the terms and conditions of this Prospectus and upon acceptance, our IPO Shares are expected to be allocated in the manner described below.

The SC and Bursa Securities assume no responsibility for the correctness of any statement made or of any opinion or report expressed in this Prospectus. Our admission to the Official List of the ACE Market shall not be taken as an indication of the merits of our Group, our Shares and/or our IPO exercise. This Prospectus can also be viewed or downloaded from the website of Bursa Securities at www.bursamalaysia.com.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR ANY OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

4. PARTICULARS OF OUR IPO (Cont'd)**4.2 OPENING AND CLOSING OF APPLICATION**

The period for Application will open at 10.00 a.m. on 2 June 2021 and will remain open until at 5.00 p.m. on 10 June 2021. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.3 IMPORTANT TENTATIVE DATES

Events	Tentative Dates
Issuance of this Prospectus/Opening of Application for our IPO	2 June 2021
Closing Date	10 June 2021
Balloting of the Application for our IPO Shares	14 June 2021
Allotment/transfer of our IPO Shares to successful applicants	21 June 2021
Date of Listing	23 June 2021

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

4.4 DETAILS OF OUR IPO**4.4.1 Acquisition of Pekat Teknologi**

In preparation for our Listing, we have undertaken the Acquisition of Pekat Teknologi. On 11 September 2020, we entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in Pekat Teknologi comprising 550,020 ordinary shares for a total purchase consideration of RM50,630,000.

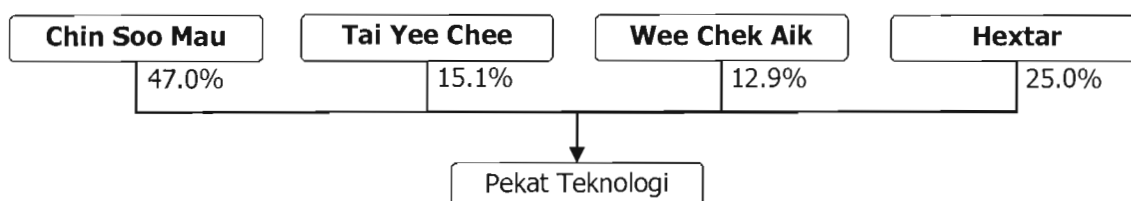
The total purchase consideration of RM50,630,000 for the Acquisition of Pekat Teknologi was arrived at after taking into consideration the following:

- (i) The audited NA of Pekat Teknologi as at 31 December 2019 of RM50,742,212; and
- (ii) The disposals of 4 subsidiaries/associated companies, where our Group recorded total loss on disposal of RM112,001. The disposals were made as these companies were inactive. Details of the disposals are set out in Section 11.1.2 note(1)(ii).

The purchase consideration for the Acquisition of Pekat Teknologi was satisfied by the issuance of 506,300,000 new Shares to the Vendors at an issue price of RM0.10 each.

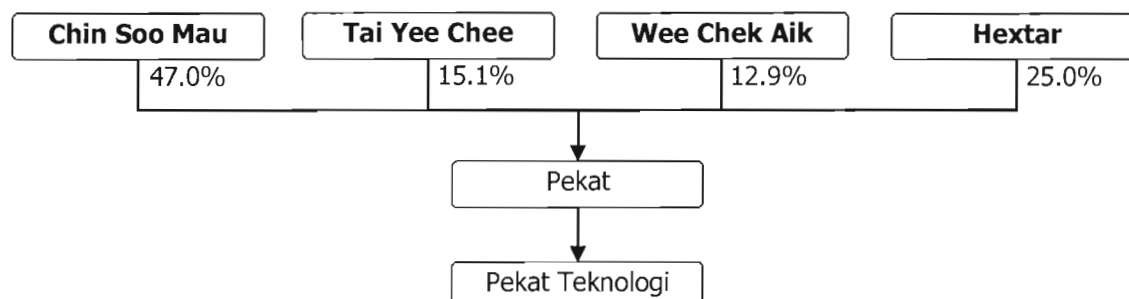
Further details of the Acquisition of Pekat Teknologi is set out in Section 6.2.2.

Our Group structure resulting before and after the Acquisition of Pekat Teknologi is set out below:

Before the Acquisition of Pekat Teknologi

4. PARTICULARS OF OUR IPO (Cont'd)

After the Acquisition of Pekat Teknologi



4.4.2 Public Issue

A total of 138,668,000 Issue Shares, representing 21.5% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(i) **Malaysian Public**

32,248,600 Issue Shares, representing 5.0% of our enlarged share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

- (a) 16,124,300 Issue Shares made available to public investors; and
- (b) 16,124,300 Issue Shares made available to Bumiputera public investors.

(ii) **Our eligible Directors and employees as well as persons who have contributed to the success of our Group**

16,124,200 Issue Shares, representing 2.5% of our enlarged share capital, will be reserved for our eligible Directors and employees as well as persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.4.4.

(iii) **Private placement to selected Bumiputera investors approved by MITI and selected investors**

90,295,200 Issue Shares, representing 14.0% of our enlarged share capital, have been reserved for private placement in the following manner:

- (a) 80,621,000 Issue Shares made available for selected Bumiputera investors approved by MITI; and
- (b) 9,674,200 Issue Shares made available for selected investors.

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

4. PARTICULARS OF OUR IPO (Cont'd)

The allocation of Issue Shares to selected Bumiputera investors shall be subject to the allocation as approved by MITI. Any unsubscribed Issue Shares under this allocation shall be offered to Bumiputera institutional investors. Issue Shares unsubscribed by Bumiputera institutional investors shall then be offered to Bumiputera public investors via balloting.

There is no over-allotment or "greenshoe" option that will result in an increase in the number of our IPO Shares.

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

We are not aware of any person who intends to subscribe for more than 5% of the Public Issue.

4.4.3 Offer for Sale

A total of 32,248,000 Offer Shares, representing 5.0% of our enlarged share capital, are offered by our Selling Shareholders to selected investors by way of private placement at our IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus.

The details of our Selling Shareholders and their relationship with our Group are as follows:

Name / Address	Relationship with our Group	⁽¹⁾ Before IPO		Offer Shares offered		After IPO	
		No. of Shares	%	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %
Chin Soo Mau / 8, Jalan Kenyalang 11/5C, D'Villa Botany Kota Damansara 47810 Petaling Jaya Selangor	Promoter, substantial shareholder and Managing Director	237,961,000	47.0	12,899,200	2.0	225,061,800	34.9
Tai Yee Chee / 10, Jalan Sutera 5 Jalil Sutera 57000 Kuala Lumpur	Promoter, substantial shareholder and Executive Director	76,451,300	15.1	9,674,400	1.5	66,776,900	10.4
Wee Chek Aik / 19, Jalan Casabella 2 Jalan Teknologi 3/11 Kota Damansara PJU 5 47810 Petaling Jaya Selangor	Promoter, substantial shareholder and Executive Director	65,312,700	12.9	9,674,400	1.5	55,638,300	8.6

Notes:

⁽¹⁾ Based on the share capital of 506,300,200 Shares after the Acquisition of Pekat Teknologi.

⁽²⁾ Based on the enlarged share capital of 644,968,200 Shares after the IPO.

Further details of our Selling Shareholders, who are also our substantial shareholders can be found in Section 5.1.

4. PARTICULARS OF OUR IPO (Cont'd)**4.4.4 Pink Form Allocations**

We have allocated 16,124,200 Issue Shares to our eligible Directors and employees as well as persons who have contributed to the success of our Group under the Pink Form Allocations as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares allocated
Our Eligible Directors	5	550,000
Our Eligible employees	105	12,044,000
Persons who have contributed to the success of our Group	20	3,530,200
	130	16,124,200

The criteria for allocation to our eligible Directors are based on their anticipated contribution to our Group. Our Managing Director and Executive Directors have opted not to participate in the Pink Form Allocations.

The criteria for allocation to our eligible employees (as approved by our Board) are based on the following factors:

- (i) The employee must be at least 18 years of age;
- (ii) The employee must have his/her employment confirmed in writing; and
- (iii) The employees' seniority, position, length of service and contribution to our Group.

The number of IPO Shares to be allotted to those persons who have contributed to the success of our Group shall be based on amongst others, the nature and terms of their business relationship with us, length of their relationship with us and the level of contribution and support to our Group and shall be subject to the approval by our Board. Persons who have contributed to the success of our Group are our customers and suppliers.

Our Managing Director and Executive Directors have opted out of the Pink Form Allocations. Details of the allocation to our remaining Directors and key senior management are as follows:

Name	Designation	No. of Issue Shares allocated	(1) %
Kok Kong Chin	Independent Non-Executive Chairman	150,000	0.9
Teh Li King	Non-Independent Non-Executive Director	100,000	0.6
Ong Keng Siew	Independent Non-Executive Director	100,000	0.6
Yeong Siew Lee	Independent Non-Executive Director	100,000	0.6
Datin Shelina Binti Razaly Wahi	Independent Non-Executive Director	100,000	0.6
Chew Teik Siang	General Manager and Director of Pekat Solar	2,000,000	12.5
Wong Boon Kwang	General Manager and Director of Pekat E&LP	1,400,000	8.7
Oh Keng Jin	Chief Financial Officer	1,400,000	8.7
		5,350,000	33.2

4. PARTICULARS OF OUR IPO (Cont'd)

Note:

- (1) Based on the total allocation of 16,124,200 Issue Shares to our eligible Directors and employees as well as persons who have contributed to the success of our Group under the Pink Form Allocations.

Our Non-Executive Directors and key senior management intend to subscribe to their Issue Shares allocated under the Pink Form Allocations.

Pink Form Allocations which are not subscribed to will be re-allocated to the other eligible Directors/key senior management mentioned in the table above, employees and persons who have contributed to the success of our Group at the discretion of our Board.

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

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

- (i) The PE Multiple of approximately 15.2 times based on our EPS of 2.1 sen for the FYE 2020 calculated based on our PAT for the FYE 2020 of RM13.6 million and our enlarged share capital of 644,968,200 Shares upon Listing;
- (ii) Our pro forma combined NA per Share as at 31 December 2020 after our IPO of RM0.16 based on our combined NA as at 31 December 2020 of RM104.6 million (after the Public Issue and utilisation of IPO proceeds) and our enlarged share capital of 644,968,200 Shares upon Listing;
- (iii) Our historical financial track record for the past FYEs 2017 to 2020 summarised as follows:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	72,830	120,129	119,521	125,562
GP	30,685	35,693	46,394	38,122
PAT attributable to:				
- Owners of the Company	9,361	11,096	14,794	13,576
- Non-controlling interests	103	(88)	61	(2)
	9,464	11,008	14,855	13,574
EPS (sen) ⁽¹⁾	1.8	2.2	2.9	2.7

Note:

- (1) Calculated based on our PAT attributable to owners of the Company divided by the share capital of 506,300,200 Shares before our IPO.
- (iv) Our competitive strengths as set out in Section 6.8; and
 - (v) Our Group's business strategies and prospects as further described in Section 6.19.

4. PARTICULARS OF OUR IPO (Cont'd)

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 8 before deciding to invest in our Shares.

4.6 SHARE CAPITAL, CLASSES OF SHARES AND RANKING

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

Details	No. of Shares	RM
Share capital		
As at the date of this Prospectus	506,300,200	50,630,020
To be issued pursuant to our Public Issue	138,668,000	44,373,760
Enlarged share capital upon our Listing	644,968,200	95,003,780
Offer for Sale⁽¹⁾	32,248,000	10,319,360
Market capitalisation⁽²⁾		206,389,824

Notes:

(1) Our Offer for Sale will not have any effect on our share capital.

(2) Based on our IPO Price and our enlarged number of shares upon Listing.

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally amongst one another.

The Issue Shares will, upon allotment and issue, rank equally in all respects with our existing ordinary shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of the Issue Shares.

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

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

Each of our shareholders shall be entitled to vote at any of our general meeting in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have 1 vote for each ordinary share held.

4. PARTICULARS OF OUR IPO (Cont'd)**4.7 OBJECTIVES OF OUR IPO**

The objectives of our IPO are as follows:

- (i) To provide an opportunity for the Malaysian Public, our eligible Directors and employees as well as persons who have contributed to the success of our Group to participate in our equity;
- (ii) To enable our Group to raise funds for the purposes specified in Section 4.10;
- (iii) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise; and
- (iv) To gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products and services, expansion of our client base and to retain and attract new, skilled employees in the industry.

4.8 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged share capital of 644,968,200 Shares upon Listing, our total market capitalisation is estimated to be RM206,389,824 upon Listing.

4.9 DILUTION

Dilution is the amount by which our IPO Price exceeds the pro forma combined NA per Share immediately after our IPO.

Our pro forma combined NA per Share as at 31 December 2020 after the Acquisition of Pekat Teknologi is RM0.13. After giving effect to the Public Issue (and utilisation of proceeds), our pro forma combined NA per Share as at 31 December 2020 is RM0.16.

This represents an immediate increase in the pro forma combined NA per Share to our existing shareholders of RM0.03, and an immediate dilution in the pro forma combined NA per Share of RM0.16 to our new public investors. The following table illustrates such dilution on a per Share basis:

	RM
Pro forma combined NA per Share as at 31 December 2020 after taking into account the Acquisition of Pekat Teknologi	0.13
Pro forma combined NA per Share as at 31 December 2020 after taking into account the Acquisition of Pekat Teknologi and Public Issue	0.17
IPO Price	0.32
Pro forma combined NA per Share as at 31 December 2020 after taking into account the Acquisition of Pekat Teknologi, Public Issue and utilisation of IPO proceeds	0.16
Dilution in the pro forma combined NA per Share to our new public investors	(0.16)
Dilution in the pro forma combined NA per Share as a percentage of our IPO Price	50.0%

4. PARTICULARS OF OUR IPO (Cont'd)

Further details of our pro forma combined NA per Share as at 31 December 2020 is set out in Section 13.

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

Shareholders	⁽¹⁾ No. of Shares	Total consideration	Average effective cost per Share
		RM	RM
Chin Soo Mau	237,961,000	23,796,100	0.10
Tai Yee Chee	76,451,300	7,645,130	0.10
Wee Chek Aik	65,312,700	6,531,270	0.10
Hextar	126,575,000	12,657,500	0.10
	506,300,000	50,630,000	0.10

Note:

⁽¹⁾ Issued pursuant to the Acquisition of Pekat Teknologi.

Save for the Shares received by our Promoters and Hextar pursuant to the Acquisition of Pekat Teknologi as well as Pink Form Allocations, there has been no acquisition or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 4 years up to the LPD.

4.10 UTILISATION OF PROCEEDS**4.10.1 Public Issue**

The estimated gross proceeds arising from the Public Issue of approximately RM44.4 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Reference	Estimated timeframe for utilisation	RM'000	%
Construction of our new head office and operational facility	(i)	⁽¹⁾ March 2023	18,000	40.6
Working capital	(ii)	⁽²⁾ 12 months	12,674	28.6
Repayment of bank borrowings	(iii)	⁽²⁾ 3 months	10,000	22.5
Estimated listing expenses	(iv)	⁽²⁾ 1 month	3,700	8.3
			44,374	100.0

4. PARTICULARS OF OUR IPO (Cont'd)

Notes:

- (1) Kindly refer to Sections 4.10.1(i) and 6.19.2 for detailed timeline.
- (2) From the date of listing of our Shares.

Pending the utilisation of the proceeds to be raised from our Public Issue, the funds will be placed with licensed financial institutions as deposits.

(i) Construction of our new head office and operational facility

With the ongoing growth and development of our business, we are outgrowing our current head office. The number of employees who are based at our Cubic Space Office has increased from 61 personnel as at 31 December 2017 to 119 personnel as at the LPD.

On 8 July 2020, we completed the acquisition of Elmina Land measuring approximately 137,928 sq ft. We intend to build a new head office integrated with a showcase, central monitoring station, training centre, workshop and warehouse on the Elmina Land. As such, we intend to move out of the Cubic Space Office and relocate to this new head office.

The purposes of each facility are as follows:

Showcase area	To feature our full range of business activities
Central monitoring station	To house application platforms (namely solar PV monitoring and energy management system, lightning risk assessment system and ELP monitoring system) which will be connected to the solar PV facilities that we are monitoring and maintaining
Training centre	To train our staff and customers on the proper and safe operation and maintenance of their solar PV facilities
Workshop	To carry out incoming product and equipment testing
Warehouse	To store products and accessories that we distribute, as well as goods and materials for our Solar Division and ELP Division

This new head office and operational facility will replace our existing facilities (which includes head office, warehouse, training centre and workshop) housed in Cubic Space Office. As such, we intend to move out of the Cubic Space Office and relocate to this new head office and operational facility.

The construction cost of our new head office and operational facility is estimated at RM18.0 million, which will be funded fully from our IPO proceeds.

The breakdown of the construction cost for our new head office and operational facility is as follows:

Description	Total estimated cost ⁽²⁾	
	RM'000	%
Construction works	9,100	50.5
M&E works	2,730	15.2

4. PARTICULARS OF OUR IPO (Cont'd)

Description	Total estimated cost ⁽²⁾	
	RM'000	%
Infrastructural works	1,730	9.6
Professional fees ⁽¹⁾	1,200	6.7
Authority and utilities	270	1.5
Interior fit-out and loose furnitures	2,730	15.2
Contingencies	240	1.3
	18,000	100.0

Notes:

(1) Comprising legal and project consulting fees.

(2) Total estimated cost is based on fees estimation by our professional consultants.

We plan to transfer the equipment (including hardware and related software) from our existing Cubic Space Office to our new head office and operational facility. In addition, we expect to incur cost amounting to RM0.2 million for the purchase of additional monitors for our central monitoring station, projectors and video conferencing systems for the training centre as well as laptops and office equipment. The cost of RM0.2 million will be funded via internally generated funds.

The proposed construction will have a total built-up area of approximately 114,252 sq ft. It will be an integrated facility with all of our operational facilities under one roof, comprising the following:

- 31,353 sq ft for head office;
- 7,937 sq ft for showcase area;
- 6,227 sq ft for central monitoring station;
- 8,696 sq ft for training centre;
- 9,284 sq ft for workshop; and
- 50,755 sq ft for warehouse (floor space of 49,755 sq ft and total racking space of 16,085 sq ft).

23,676 sq ft shall be allocated for roads, car parks and building set-back as required by the authorities.

As at the LPD, we have submitted the planning application and building plan to Majlis Bandaraya Shah Alam. The indicative timeline for designing and constructing the new head office and operational facility is expected to be as follows:

Timeline	Details
June 2021	Receipt of approved building plan
September 2021	Commencement of construction
March 2023	<ul style="list-style-type: none"> • Commencement of installation of rooftop solar PV • Completion of construction of the head office and operational facility
June 2023	To obtain Certificate of Completion and Compliance for the head office and operational facility

4. PARTICULARS OF OUR IPO (Cont'd)

Timeline	Details
September 2023	Commencement of relocation from Cubic Space Office
December 2023	Commencement of operations in the head office and operational facility

We expect to complete the construction of the new head office and operational facility in March 2023.

If the actual cost of construction is higher than the amount budgeted, the deficit will be funded via internally generated funds. Conversely, if the cost is lower than the amount budgeted, the excess will be utilised for our working capital requirements.

Further details of our new head office and operational facility are set out in Section 6.19.2.

(ii) Working capital

Our Group's working capital requirements are expected to increase in tandem with the expected growth in our business. We intend to allocate RM12.7 million from our IPO proceeds for our Group's working capital requirements.

The following is a breakdown of the expected utilisation for our working capital:

	Utilisation	RM'000	%
(a)	Purchase of materials for our projects such as solar PV modules, solar PV inverters, ELP products and accessories	8,000	63.1
(b)	Project costs and expenses such as tender bonds and/or performance bonds for our projects ⁽¹⁾	4,000	31.6
(c)	Marketing expenses such as advertisement and promotions in printed and digital media	500	3.9
(d)	General overheads such as payment of administration and operating expenses including upkeep of offices and office utilities	174	1.4
		12,674	100.0

Note:

- ⁽¹⁾ Some of the solar PV projects and ELP projects we are involved in require tender bonds and/or performance bonds as disclosed in Sections 6.6.3.11(i), 6.6.3.11(ii), 6.6.4.5(i) and 6.6.4.5(ii).

Tender bonds and performance bonds may be applicable to all types of solar PV projects and ELP projects and it depends on the requirements of the prospective customer.

This results in the lock-up of a portion of our capital during the duration of the project as we are unable to utilise this sum for our working capital or any other purpose during the duration of the tender bonds and/or performance bonds. This will affect our liquidity for that duration. As such, the allocation to working capital is expected to enhance our Group's liquidity and cash flows, so that we will be in a stronger position to secure and complete more projects moving forward.

4. PARTICULARS OF OUR IPO (Cont'd)**(iii) Repayment of bank borrowings**

As at the LPD, our total borrowings (excluding lease liabilities) amount to RM29.7 million. We intend to allocate RM10.0 million from our IPO proceeds for the repayment of bank borrowing which was drawn to acquire the Elmina Land. The details are as set out as follows:

	Bank / Banking facility	Purpose of borrowing	Interest rate	Maturity date	Principal amount	Amount drawn as at LPD	Amount to be repaid from IPO proceeds
					RM'000	RM'000	RM'000
(i)	Public Investment Bank / Term loan	Acquisition of Elmina Land	Base lending rate – 2.1%	July 2040	13,688	13,688	10,000

On 8 July 2020, we completed the acquisition of Elmina Land for a total purchase consideration of RM17.1 million of which RM13.7 million was financed via bank borrowings and RM3.4 million was financed via internally generated funds. The loan carries an effective interest rate of 3.37% per annum and is for a term of 20 years up to 2040.

Notwithstanding that we will incur a one-off penalty of RM0.2 million in the event we repay the bank borrowings before May 2023, we will be able to reduce our annual interest cost by RM0.3 million based on the effective interest rate of 3.37% per annum. The penalty cost of RM0.2 million will be paid via internally generated funds.

The remaining outstanding loan of RM3.7 million shall be repaid via internally generated funds as per the loan repayment schedule. In the event we require any additional funds, we may utilise our existing cash reserves.

(iv) Estimated listing expenses

The amount of RM3.7 million is allocated to meet the estimated cost for our Listing. If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our working capital requirements. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Description	RM'000	%
Professional fees ⁽¹⁾	1,985	53.6
Underwriting, placement and brokerage fees	1,557	42.1
Printing and advertising fees	100	2.7
Others ⁽²⁾	58	1.6
	3,700	100.0

4. PARTICULARS OF OUR IPO (Cont'd)

Notes:

- (1) Comprising advisory fees for, amongst others, our Principal Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.
- (2) Comprising fees payable to authorities (such as lodgement fees payable to the Companies Commission of Malaysia), other incidental or related expenses in connection with our IPO.

4.10.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM10.3 million which will accrue entirely to our Selling Shareholders and we will not receive any of the proceeds.

The Selling Shareholders shall bear all of the expenses relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.21 million.

4.11 UNDERWRITING AND PLACEMENT ARRANGEMENT, COMMISSION AND BROKERAGE

4.11.1 Underwriting arrangement and commission

Our Underwriter will underwrite 48,372,800 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We are obliged to pay our Underwriter an underwriting commission of 2.0% of the total value of the underwritten Shares at our IPO Price.

Any of our Issue Shares which are not subscribed for by the Malaysian Public or Pink Form Allocations will be made available to selected investors via private placement. If all of our Issue Shares offered to the Malaysian Public are oversubscribed, shares not subscribed for under the Pink Form Allocations, if any, will be made available for application by the Malaysian Public. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

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

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner.

4. PARTICULARS OF OUR IPO (Cont'd)

4.11.2 Placement arrangement and commission

The balance 90,295,200 Issue Shares from the Public Issue available for application by selected Bumiputera investors approved by MITI and selected investors as well as 32,248,000 Offer Shares available for application by selected investors will not be underwritten and shall be placed out by our Placement Agent.

We are obliged to pay our Placement Agent a placement fee of 2.0% of the value of those Issue Shares to be placed out to selected Bumiputera investors and investors approved by MITI by our Placement Agent at our IPO Price. The placement fee of 2.0% of the value of those Offer Shares to be placed out to selected investors by our Placement Agent at our IPO Price will be borne entirely by the Selling Shareholders.

4.11.3 Brokerage fees

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

4.12 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M&A Securities, to underwrite 48,372,800 Issue Shares ("Underwritten Shares").

The following are the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

- 1.1 Our Company irrevocably appoints the Underwriter as the underwriter of the Underwritten Shares and the Underwriter accepts its appointment on the terms and conditions in the Underwriting Agreement.
- 1.2 The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon ("Conditions"):
 - (i) The Underwriter receiving a certificate issued by our Company, one dated the date of registration of the Prospectus and the other dated the Closing Date, both of which are to be signed by a director of our Company on behalf of our Board stating amongst others that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence to the representations, warranties and undertakings as set out in the Underwriting Agreement and being provided with the reports or confirmation and being satisfied at the date of registration of this Prospectus and on the Closing Date that:
 - (a) no material change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group from that subsequent to the date of the Underwriting Agreement; or
 - (b) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings as set out in the Underwriting Agreement materially

4. PARTICULARS OF OUR IPO (Cont'd)

untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;

- (ii) The Underwriting Agreement being duly signed by all parties and stamped within the statutory time frame;
- (iii) The registration of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO with the SC and its lodgement with the ROC by the date of issuance of this Prospectus;
- (iv) All the approvals of the Listing Scheme by Bursa Securities; the SC; and the directors and shareholders of our Company via a circular board resolution and general meeting, remain in full force and effect and all the conditions to said approvals in this clause (except for any which can only be complied with after the IPO has been completed) have been complied with;
- (v) The approval of Bursa Securities for the admission of our Company to the Official List and the listing of and quotation for its entire issued share capital on the ACE Market being obtained on terms acceptable to the Underwriter and the approvals of Bursa Securities remaining in full force and effect and that all conditions (except for any which can only be complied with after the IPO has been completed) have been complied with;
- (vi) The Underwriter being satisfied that our Company will, following completion of the IPO be admitted to the Official List and its entire enlarged issued share capital listed and quoted on the ACE Market without undue delay;
- (vii) The Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions thereof and upon the Underwriter's (in this regard, in its capacity as the Placement Agent for the Placement Shares) receipt of the full subscription monies for the Placement Shares on or before the last date for payment of the Placement Shares;
- (viii) The Underwriter receiving a copy duly certified by a Director of our Company or secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the Directors:
 - (a) approving the Prospectus, the issuance of the Prospectus, the application forms, the Underwriting Agreement and the transactions contemplated by it; and
 - (b) authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company;
- (ix) The IPO not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the Issue Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the IPO and/or listing of and quotation for the entire enlarged issued share capital of our Company on the ACE Market have been obtained and are in force up to the Closing Date;

4. PARTICULARS OF OUR IPO (Cont'd)

- (x) The Underwriter being satisfied that our Company has complied with and that the IPO is in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;
 - (xi) All necessary consents, waivers, approvals, authorisations or other orders of all regulatory authorities, required for or in connection with the execution of the Underwriting Agreement and the issue of the Shares under the IPO and any other matters contemplated hereby:
 - (a) have been or will be unconditionally obtained by its due date; or
 - (b) if granted subject to conditions, such conditions will be fulfilled to the reasonable satisfaction of the Underwriter by its due date; and
 - (c) are or will remain in full force and effect;
 - (xii) The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") being not lower than 90% of the level of the Index for at least 3 consecutive Market Days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;
 - (xiii) There being no occurrence of any event which occurs after the date of the Underwriting Agreement and on or prior to the date for acceptance, application for and payment of the subscriptions moneys in respect of the application for our Company's IPO Shares, which if it had occurred before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings provided in the Underwriting Agreement untrue or inaccurate;
 - (xiv) There being no breach of and/or failure, on or prior to the Closing Date by our Company to perform any of the terms and/or the undertakings as contained in the Underwriting Agreement;
 - (xv) Our Company not being in any investigation, directions or actions by any judicial, governmental or regulatory authority in relation to the Listing or in connection with the Group which is still subsisting or unresolved to the satisfaction of the Underwriter; and
 - (xvi) The launching of Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing.
- 1.3 The Underwriter may waive all or any of the Conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement.
- 1.4 If after the Conditions have been complied with and our Company decides not to proceed with the IPO, the Underwriter shall be entitled to terminate the Underwriting Agreement and in such event the provisions set out in item 1.6 below shall apply.

4. PARTICULARS OF OUR IPO (Cont'd)

- 1.5 If any of the conditions set out in item 1.2(ii), (iii), (iv), (viii), and / or (xvi) above to the extent not waived are not satisfied by the date of issuance of the Prospectus, the Underwriter after consultation with our Company shall be entitled to terminate the Underwriting Agreement pursuant to item 1.6 below and thereafter the parties shall be released and discharged from their obligations hereunder and the Underwriting Agreement shall become null and void and of no further force and effect and none of the parties shall have a claim against the other save for any antecedent breaches.
- 1.6 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:
- (i) the Conditions set out in item 1.2 above (save and unless waived by the Underwriter) are not duly satisfied by the Closing Date;
 - (ii) there is any material breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement or which is contained in any certificate, statement or notice under or in connection with the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within 10 Market Days from the date our Company is notified by the Underwriter of such breach; or
 - (iii) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement; or
 - (iv) there is withholding of material information by the Company which in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Shares issued or offered under the IPO; or
 - (v) the approval of Bursa Securities in respect of the IPO or the approval-in-principle of Bursa Securities for the listing and quotation of our entire issued share capital on the ACE Market is withdrawn; or
 - (vi) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Company or Group from that set out in this Prospectus which is material in the context of the offering of the Issue Shares and/or the Listing or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the representations, warranties and undertakings contained in the Underwriting Agreement hereof as though given or made on such date; or
 - (vii) the closing date of the application of the IPO Shares does not occur within 3 months from the date of the Underwriting Agreement, subject to the extension of Closing Date which is approved by the Underwriter; or
 - (viii) our Company or any of our subsidiary becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or

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

- (ix) the occurrence of any *force majeure* event including, but not limited to the following:
 - (a) any material adverse change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rate (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing; or
 - (b) any new law or any change in the existing laws, regulations, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority; or
 - (c) any event or series of events beyond the reasonable control of the Underwriter (including but not limited to, acts of government, strikes, national disorder, declaration of a state of emergency, lockouts, fire, explosion, flooding, landslide, civil commotion, hurricanes/typhoons, tsunami, widespread diseases, pandemic, acts of war, sabotage, acts of God etc); or
 - (d) any imposition of any moratorium, suspension or material restriction on trading of securities on the ACE Market due to exceptional financial circumstances or otherwise; or
 - (e) any material adverse change in financial conditions as stated in item 1.6(ix)(a) above to include stock market conditions and interest rates. A material adverse change in the stock market condition under this item shall mean the Index is, at the close of normal trading on Bursa Securities, on any Market Day on or after the date of the Underwriting Agreement and prior to the allotment of the Issue Shares, lower than 90% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 Market Days, which may materially prejudice the success of the IPO; or
 - (f) there is any government requisition or occurrence of any other nature which materially and adversely affects or will materially and adversely affect the business and/or financial position of our Company and/or our Group; or
 - (g) in the event that the listing of and quotation for the entire enlarged issued share capital of our Company on the ACE Market is withdrawn or not procured or procured but subject to conditions not acceptable to the Underwriter;

which would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or Group, the success of the IPO, or the distribution or sale of the Issue Shares or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms.

4. PARTICULARS OF OUR IPO (Cont'd)

- 1.7 Upon the notice as described in item 1.6 above being given, the Underwriter shall be released and discharged of its obligation without prejudice to its rights under the Underwriting Agreement, and where the Underwriter has terminated or withdrawn its Underwriting Commitment pursuant to item 1.5 or item 1.6, the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other parties in respect of the Underwriting Agreement, except the following:
- (i) our Company shall pay the Underwriting Commission and any SST, tax, duties or levies chargeable in respect of the Underwriting Commission in accordance with the Underwriting Agreement; and
 - (ii) our Company shall continue to be liable to indemnify the Underwriter and the its affiliates and each of their (the Underwriter and its affiliates) directors, employees, agents, subsidiaries and each person who controls the Underwriter and affiliates, in such manner as set out in the Underwriting Agreement.

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

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

Name / Nationality / Country of incorporation	Before IPO ⁽¹⁾				After IPO ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and substantial shareholders								
Chin Soo Mau / Malaysian	237,961,000	47.0	-	-	⁽³⁾ 225,061,800	34.9	-	-
Tai Yee Chee / Malaysian	76,451,300	15.1	-	-	⁽³⁾ 66,776,900	10.4	-	-
Wee Chek Aik / Malaysian	65,312,700	12.9	-	-	⁽³⁾ 55,638,300	8.6	-	-
Substantial shareholders								
Hextar / Malaysia	126,575,000	25.0	-	-	126,575,000	19.6	-	-
Dato' Ong Soon Ho / Malaysian	-	-	⁽⁴⁾ 126,575,000	25.0	-	-	⁽⁴⁾ 126,575,000	19.6
Dato' Ong Choo Meng / Malaysian	-	-	⁽⁴⁾ 126,575,000	25.0	-	-	⁽⁴⁾ 126,575,000	19.6
Datin Teoh Siew Yoke @ Teoh Siew Chin / Malaysian	-	-	⁽⁴⁾ 126,575,000	25.0	-	-	⁽⁴⁾ 126,575,000	19.6

Notes:

- (1) Based on the share capital of 506,300,200 Shares after the Acquisition of Pekat Teknologi.
- (2) Based on the enlarged share capital of 644,968,200 Shares after the IPO.
- (3) After the Offer for Sale.
- (4) Deemed interested by virtue of their shareholdings in Hextar. As at the LPD, the shareholders and their respective shareholdings in Hextar are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Dato' Ong Soon Ho	Malaysian	53,444,328	23.9	⁽ⁱ⁾ 170,273,572	76.1
Dato' Ong Choo Meng	Malaysian	144,816,972	64.7	⁽ⁱⁱ⁾ 78,900,928	35.3

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

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Datin Teoh Siew Yoke @ Teoh Siew Chin	Malaysian	25,456,600	11.4	⁽ⁱⁱⁱ⁾ 198,261,300	88.6

(i) Deemed interested by virtue of his son and wife's shareholdings in Hextar.

(ii) Deemed interested by virtue of his parents' shareholdings in Hextar.

(iii) Deemed interested by virtue of her husband and son's shareholdings in Hextar.

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

5.1.2 Profiles of Promoters and substantial shareholders

The profiles of our Promoters and substantial shareholders are as follows:

(i) Chin Soo Mau

Chin Soo Mau is our Promoter and substantial shareholder. He is also our Managing Director. His profile is set out in Section 5.2.2.

(ii) Tai Yee Chee

Tai Yee Chee is our Promoter and substantial shareholder. He is also our Executive Director. His profile is set out in Section 5.2.2.

(iii) Wee Chek Aik

Wee Chek Aik is our Promoter and substantial shareholder. He is also our Executive Director. His profile is set out in Section 5.2.2.

(iv) Hextar

Hextar was incorporated as a private limited company under the Act on 3 February 2006.

The principal activity of Hextar is investment holding of companies involved in distribution of fertilizers and industrial chemical products. As at the LPD, Hextar has a share capital of RM44,743,580 comprising 223,717,900 ordinary shares. The directors of Hextar are Dato' Ong Soon Ho and Dato' Ong Choo Meng.

In September 2020, Hextar emerged as our new substantial shareholder when it acquired 25.0% equity interest in Pekat Teknologi for a total consideration of RM50.0 million from our Promoters, as part of its plan to diversify into renewable energy related business.

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

As at the LPD, the shareholders and their respective shareholdings in Hextar are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Dato' Ong Soon Ho	Malaysian	53,444,328	23.9	⁽¹⁾ 170,273,572	76.1
Dato' Ong Choo Meng	Malaysian	144,816,972	64.7	⁽²⁾ 78,900,928	35.3
Datin Teoh Siew Yoke @ Teoh Siew Chin	Malaysian	25,456,600	11.4	⁽³⁾ 198,261,300	88.6

Notes:

- (1) Deemed interested by virtue of his son and wife's shareholdings in Hextar.
- (2) Deemed interested by virtue of his parents' shareholdings in Hextar.
- (3) Deemed interested by virtue of her husband and son's shareholdings in Hextar.

(v) Dato' Ong Soon Ho

Dato' Ong Soon Ho, a Malaysian, aged 74, is the director and substantial shareholder of Hextar. He graduated with a Bachelor of Science in Agriculture Plant Pathology and Entomology from National Taiwan University, Taiwan in June 1972. He also obtained a Master of Science from University of Aberdeen, Scotland, United Kingdom in February 1974.

He has more than 31 years of experience in the agricultural industry. After having 10 years working experience in crop protection industry with multinational corporations, in January 1985, he founded Hextar Chemicals Sdn Bhd, a company involved in the manufacturing and supply of pesticides and fertilisers. As at the LPD, Hextar Chemicals Sdn Bhd is a wholly-owned subsidiary of Hextar Global Berhad, a company listed on Main Market of Bursa Securities.

From October 2011 until March 2017, he was appointed as the Non-Independent Non-Executive Chairman of Denko Industrial Corporation Berhad (now known as ATA IMS Berhad), a company listed on the Main Market of Bursa Securities. In May 2017, he was appointed as the Non-Independent Non-Executive Vice Chairman of Hextar Global Berhad, a company listed on Main Market of Bursa Securities, a position he continues to hold.

He is the father of Dato' Ong Choo Meng and the husband of Datin Teoh Siew Yoke @ Teoh Siew Chin. He also serves as directors in a number of subsidiaries within the Hextar group of companies and also has directorships in various other businesses including subsidiaries of public listed companies mentioned above.

(vi) Dato' Ong Choo Meng

Dato' Ong Choo Meng, a Malaysian, aged 43, is the director and substantial shareholder of Hextar. He graduated with a Bachelor of Business (Economics and Finance) from Royal Melbourne Institute of Technology, Australia in 2001.

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

In August 2002, he joined Hextar Chemicals Sdn Bhd as the Executive Director and was involved in overseeing the overall business direction and strategic planning of the company. In January 2010, he was promoted to Group Managing Director of Hextar Chemicals Sdn Bhd and in April 2015, he was re-designated to Group Chief Executive Officer of Hextar group of companies, a position he continues to hold.

Further, he also held directorships in several public listed companies in Malaysia. From September 2011 until March 2017, he was appointed as the Non-Independent Non-Executive Director of Denko Industrial Corporation Berhad (now known as ATA IMS Berhad), a company listed on the Main Market of Bursa Securities.

In May 2017, he was appointed as the Non-Independent Executive Director of Hextar Global Berhad, a company listed on the Main Market of Bursa Securities, a position he continues to hold. In August 2018, he was appointed as the Non-Independent Non-Executive Director in SCH Group Berhad, a company listed on the ACE Market, a position he continues to hold. In April 2020, he was appointed as the Non-Independent Non-Executive Director of Rubberex Corporation (M) Berhad, a company listed on the Main Market of Bursa Securities, a position he continues to hold.

He is the son of Dato' Ong Soon Ho and Datin Teoh Siew Yoke @ Teoh Siew Chin. He also serves as Directors in a number of subsidiaries within the Hextar group of companies and also has directorships in various other businesses including subsidiaries of public listed companies mentioned above.

(vii) Datin Teoh Siew Yoke @ Teoh Siew Chin

Datin Teoh Siew Yoke @ Teoh Siew Chin, a Malaysian, aged 72, is the substantial shareholder of Hextar.

She completed her secondary education in Pin Hwa High School, Klang, Selangor in 1964. In January 1965, she started working in her family-run hardware company, Hua Heng Hardware Sdn Bhd as a General Manager, where she was in charge of day-to-day operations and business development functions of the company.

She retired from Hua Heng Hardware Sdn Bhd in July 1990.

She is the wife of Dato' Ong Soon Ho and the mother of Dato' Ong Choo Meng.

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

5.1.3 Changes in the Promoters' and substantial shareholders' shareholdings

The changes in our Promoters and substantial shareholders' respective shareholdings since our incorporation on 5 April 2019 are as follows:

Promoters/ Substantial shareholders	As at incorporation ⁽¹⁾				Before IPO ⁽²⁾				After IPO ⁽³⁾			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chin Soo Mau	-	-	-	-	237,961,000	47.0	-	-	⁽⁴⁾ 225,061,800	34.9	-	-
Tai Yee Chee	-	-	-	-	76,451,300	15.1	-	-	⁽⁴⁾ 66,776,900	10.4	-	-
Wee Chek Aik	-	-	-	-	65,312,700	12.9	-	-	⁽⁴⁾ 55,638,300	8.6	-	-
Hextar	-	-	-	-	126,575,000	25.0	-	-	126,575,000	19.6	-	-
Dato' Ong Soon Ho	-	-	-	-	-	-	⁽⁵⁾ 126,575,000	25.0	-	-	⁽⁵⁾ 126,575,000	19.6
Dato' Ong Choo Meng	-	-	-	-	-	-	⁽⁵⁾ 126,575,000	25.0	-	-	⁽⁵⁾ 126,575,000	19.6
Datin Teoh Siew Yoke @ Teoh Siew Chin	-	-	-	-	-	-	⁽⁵⁾ 126,575,000	25.0	-	-	⁽⁵⁾ 126,575,000	19.6
Chin Pay Yee	100	50.0	-	-	100	-*	-	-	100	-*	-	-
Ting Pei Jing	100	50.0	-	-	100	-*	-	-	100	-*	-	-

Notes:

* Negligible.

⁽¹⁾ Comprising 200 subscriber shares.

⁽²⁾ Based on the share capital of 506,300,200 Shares after the Acquisition of Pekat Teknologi.

⁽³⁾ Based on the enlarged share capital of 644,968,200 Shares after the IPO.

⁽⁴⁾ After the Offer for Sale.

⁽⁵⁾ Deemed interested by virtue of their shareholdings in Hextar.

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

5.1.4 Persons exercising control over the corporation

Save for our Promoters, namely Chin Soo Mau, Tai Yee Chee and Wee Chek Aik, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5.1.5 Benefits paid or intended to be paid

Save for the dividends paid to our Promoters as disclosed in Section 11.13 and our Directors' remuneration and benefits as disclosed in Section 5.2.4, there is no amount and benefit that has been or is intended to be paid or given to our Promoters, Directors and/or substantial shareholders within the 2 years preceding the date of this Prospectus.

5.2 DIRECTORS

5.2.1 Directors' shareholdings

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

Name	Designation/ Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾		
		Direct No. of Shares	%	No. of Shares	Direct No. of Shares	Indirect No. of Shares	%
Kok Kong Chin	Independent Non- Executive Chairman / Malaysian	-	-	-	(4) 150,000	-	*
Chin Soo Mau	Managing Director / Malaysian	237,961,000	47.0	-	(3) 225,061,800	-	34.9
Tai Yee Chee	Executive Director / Malaysian	76,451,300	15.1	-	(3) 66,776,900	-	10.4

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

Name	Designation/ Nationality	Before IPO ⁽¹⁾			After IPO ⁽²⁾		
		Direct		Indirect		Direct	
		No. of Shares	%	No. of Shares	%	No. of Shares	%
Wee Chek Aik	Executive Director / Malaysian	65,312,700	12.9	-	-	(3) 55,638,300	8.6
Teh Li King	Non-Independent Non- Executive Director / Malaysian	-	-	-	-	(4) 100,000	*
Ong Keng Siew	Independent Non- Executive Director / Malaysian	-	-	-	-	(4) 100,000	*
Yeong Siew Lee	Independent Non- Executive Director / Malaysian	-	-	-	-	(4) 100,000	*
Datin Shelina Binti Razaly Wahi	Independent Non- Executive Director / Malaysian	-	-	-	-	(4) 100,000	*

Notes:

- * Negligible.
- (1) Based on the share capital of 506,300,200 Shares after the Acquisition of Pekat Teknologi.
- (2) Based on the enlarged share capital of 644,968,200 Shares after the IPO.
- (3) After the Offer for Sale.
- (4) Assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

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

5.2.2 Profiles of Directors

The profiles of our Directors are as follows:

(i) Kok Kong Chin

Kok Kong Chin, a Malaysian, aged 56, is our Independent Non-Executive Chairman. He was appointed to our Board on 17 September 2020, and is also the chairman of our Nomination Committee and member of our Audit Committee and Risk Management Committee.

Mr Kok graduated with a Bachelor of Business Administration (Honours) from the National University of Malaysia in August 1989. He also obtained a Master of Business Administration from Schulich School of Business, York University, Canada in June 1993. In June 2011, he completed the Cambridge Advanced Leadership Programme conducted by Cambridge Judge Business School, University of Cambridge, United Kingdom.

In December 1989, he joined the Arab-Malaysian Securities Sdn Bhd (now known as AmInvestment Bank Berhad, a wholly-owned subsidiary of AMMB Holdings Berhad, a company listed on the Main Market of Bursa Securities) as an Institutional Equity Dealer, where he was involved in handling local and international institutional investors. In 1992, he took a sabbatical leave for his Master's degree and subsequently he returned to Arab-Malaysian Securities Sdn Bhd as Manager of Institutional Business in June 1993.

In April 1995, he left Arab-Malaysian Securities Sdn Bhd and joined Worldsec International Ltd in May 1995, an affiliate of the Mitsubishi UFJ Financial Group, as the Managing Director/Malaysia Country Head, where he was responsible for market strategy, economic and equities research. In January 2002, he left Worldsec International Ltd.

He joined CIMB Investment Bank Berhad (a wholly-owned subsidiary of CIMB Group Holdings Berhad, a company listed on the Main Market of Bursa Securities) in February 2002 as Head of Equity Markets and Derivatives. During his tenure at CIMB group from February 2002 to end February 2012, he was promoted to several positions including Co-Head of Investment Banking in November 2006, where he was overseeing CIMB group's investment banking activities. He was promoted to Head of International Banking and Transaction Services in June 2008 where he was overseeing the group's international banking branches as well as the transaction services department. He was made the Head of Regional Banking in January 2010, where he was overseeing the regional corporate banking and regional transaction banking business of CIMB group. He left CIMB group in March 2012.

In June 2012, he joined Ping Petroleum Ltd, a company involved in exploration, development and production of crude oil and natural gas as an Independent Non-Executive Director and subsequently retired from the board in June 2015. In March 2014, Mr Kok joined Tropicana Corporation Berhad, a company listed on the Main Market of Bursa Securities as the Group Managing Director where he was responsible for overseeing the development projects in Northern and East Malaysia as well as the group's finance and treasury functions. In addition, he was also appointed as Directors in other related companies of Tropicana Corporation Berhad. In January 2016, Mr Kok left Tropicana Corporation Berhad and its related companies.

In February 2016, Mr Kok was appointed as the Non-Independent Non-Executive Director of ENRA Group Berhad, a company listed on the Main Market of Bursa Securities. He was subsequently re-designated as the Executive Director in August 2016. He also serves as directors in a number of subsidiaries of ENRA Group Berhad.

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

Kindly refer to Section 5.2.3 for his directorship and/or principal business activities performed outside our Group.

(ii) Chin Soo Mau

Chin Soo Mau, a Malaysian, aged 48, is our Promoter and Managing Director. He is responsible for our Group's overall strategic planning as well as overseeing the overall operations of our Group. He was appointed to our Board on 17 September 2020.

In July 1995, he obtained a Higher National Diploma in Engineering (Electrical/Electronic) from the Nottingham Trent University, United Kingdom.

In May 1995, Mr Chin joined Panacom Sales and Services Sdn Bhd as an Assistant Engineer where he was involved in the set-up, test and commissioning of office telecommunication systems. In February 1996, he left Panacom Sales and Services Sdn Bhd and joined Mun Hean (M) Sdn Bhd in March 1996 as a Sales Engineer where he was involved in the marketing and sales of ELP systems. He was promoted to Product Manager in January 1999 where he led a team of sales engineers for the sales of ELP systems.

In August 1999, Mr Chin left Mun Hean (M) Sdn Bhd and co-founded Pekat Teknologi to distribute surge protection devices, and was appointed as the Managing Director of Pekat Teknologi, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Kindly refer to Section 5.2.3 for his involvements in other business activities outside our Group.

(iii) Tai Yee Chee

Tai Yee Chee, a Malaysian, aged 49, is our Promoter and Executive Director. He is responsible for overseeing the operations of our ELP Division and Trading Division. He was appointed to our Board on 17 September 2020.

He graduated with a Bachelor of Engineering (Honours) in Electrical and Electronic at University of Hertfordshire, United Kingdom in July 1996.

Upon graduation, Mr Tai joined Tokai Engineering (M) Sdn Bhd as a Sales and Project Engineer in July 1996 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects. He was promoted to Assistant Sales and Project Manager in August 1997. In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi in May 2000 as the Technical Manager where he was involved in sales of surge protection devices.

In June 2006, Mr Tai was appointed as the Executive Director of Pekat Teknologi, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Kindly refer to Section 5.2.3 for his involvement in other business activity outside our Group.

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

(iv) Wee Chek Aik

Wee Chek Aik, a Malaysian, aged 49, is our Promoter and Executive Director. He is responsible for overseeing the operations of our Solar Division. He was appointed to our Board on 17 September 2020.

He graduated with a Bachelor of Science (Honours) in Electrical Engineering at Tri-state University (now known as TRINE University), USA in May 1997.

Upon graduation, Mr Wee joined Tokai Engineering (M) Sdn Bhd as Sales and Project Engineer in June 1997 where he was involved in the marketing and sales of ELP systems and supervising the implementation of the ELP projects.

In April 2000, he left Tokai Engineering (M) Sdn Bhd and joined Pekat Teknologi in May 2000 as the Marketing Manager where he was involved in the marketing of surge protection devices.

In June 2006, Mr Wee was appointed as the Executive Director of Pekat Teknologi, a position he continues to hold. He was also appointed as Directors in a number of companies within our Group.

Kindly refer to Section 5.2.3 for his involvements in other business activities outside our Group.

(v) Teh Li King

Teh Li King, a Malaysian, aged 43, is our Non-Independent Non-Executive Director. He was appointed to our Board on 17 September 2020. He is a corporate representative of Hextar, our substantial shareholder.

He graduated with a Bachelor of Science from New Hampshire College (now known as Southern New Hampshire University), USA in May 2000. He also obtained a Master of Business Administration (Electronic Commerce) from Charles Sturt University, Australia in April 2003.

Upon graduation, Mr Teh joined Hong Leong Bank Berhad (a company listed on the Main Market of Bursa Securities) in August 2000 as an Account Relationship Executive, where he managed customer's accounts. In October 2003, he left Hong Leong Bank Berhad and joined P.P. Steel Service Centre Sdn Bhd in November 2003 as a Marketing Manager where he was involved in the marketing of steel products.

In June 2005, he left P.P. Steel Service Centre Sdn Bhd and joined Rex Metal Packaging Bhd in July 2005 as a Sales Manager where he was responsible for the sales of metal products. In June 2006, he left Rex Metal Packaging Bhd and joined Sumimetal Industries (Malaysia) Sdn Bhd in July 2006 as a Senior Manager - Business Development where he was responsible in formulating the business strategy and implementing the business plan for the sale of metal products.

In November 2007, he left Sumimetal Industries (Malaysia) Sdn Bhd and joined Hextar Chemicals Sdn Bhd in December 2007 as an Assistant General Manager (Marketing) where he was responsible for assisting the directors of the company in overseeing the overall operations and was involved in formulating the business strategy of the company. As at the LPD, Hextar Chemicals Sdn Bhd is a wholly-owned subsidiary of Hextar Global Berhad, a company listed on Main Market of Bursa Securities. He was transferred to Hextar in 2010 and Hextar Asset Management Sdn Bhd in 2013 where he retained the same position and was involved in assisting the directors of the company in overseeing the overall operations and

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

was involved in formulating the business strategy of the company. In April 2015, he was promoted to Group Chief Corporate Officer of Hextar group of companies where he oversees the overall corporate strategies and development, human resources as well as legal and compliance matters.

In September 2020, he was appointed as a Director of Pekat Teknologi.

Mr Teh was appointed as the Executive Director of SWS Capital Berhad, a company listed on the Main Market of Bursa Securities in January 2021, Non-Independent Non-Executive Director of Opcom Holdings Berhad, a company listed on ACE Market in February 2021 and Non-Independent Non-Executive Director of Complete Logistic Services Berhad, a company listed on the Main Market of Bursa Securities in March 2021.

Kindly refer to Section 5.2.3 for his directorship and/or principal business activities performed outside our Group including subsidiaries of Hextar Global Berhad.

(vi) Ong Keng Siew

Ong Keng Siew, a Malaysian, aged 65, is our Independent Non-Executive Director. He was appointed to our Board on 7 May 2019, and is also the chairman of our Audit Committee and member of our Remuneration Committee and Risk Management Committee.

Mr Ong obtained a Diploma in Commerce from Kolej Tunku Abdul Rahman in June 1979. He was certified as an associate member of the Association of Certified Accountants in May 1982 and fellow member of the Chartered Association of Certified Accountants (now known as the Association of Chartered Certified Accountants) in May 1987. He was certified as a chartered accountant and has been a member of Malaysian Institute of Accountants since December 1983.

In August 1979, Mr Ong joined Baharom-Hamdan (now known as Grant Thornton Malaysia PLT) as an Audit Assistant where he was involved in statutory audit of private and public companies. In October 1980, Mr Ong was co-opted into Lim Ali & Co/Arthur Young & Co as an audit junior upon the merger of Baharom-Hamdan and Lim Ali & Co. He was subsequently promoted to Semi-Senior and Audit Senior, both in 1981.

In September 1981, Mr Ong left Lim Ali & Co and joined Paramount Corporation Berhad ("Paramount"), a company listed on Main Market of Bursa Securities as an Accountant in October 1981. He was subsequently promoted to Finance and Administration Manager in January 1984. In January 1989, he was appointed as the General Manager where he oversaw the operations of the property development and construction divisions.

In November 1994, Mr Ong was appointed to the Board of Directors of Paramount as an Executive Director. In March 1997, Mr Ong was re-designated as the Deputy Group Managing Director/Chief Executive Officer of Paramount. He was re-designated as Group Managing Director/Chief Executive Officer in December 2008 where he was responsible for the strategic development and overall growth of the Paramount group of companies.

In June 2012, Mr Ong retired as the Group Managing Director/Chief Executive Officer of Paramount and remained as the Non-Independent Non-Executive Director of the company. In August 2014, Mr Ong was re-designated to Independent Non-Executive Director of Paramount. In January 2017, Mr Ong was appointed as the Independent Non-Executive Director of United Malacca Berhad, a company listed on the Main Market of Bursa Securities.

Kindly refer to Section 5.2.3 for his directorship and/or principal business activities performed outside our Group.

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

(vii) Yeong Siew Lee

Yeong Siew Lee, a Malaysian, aged 43, is our Independent Non-Executive Director. She was appointed to our Board on 17 September 2020, and is also the chairperson of our Remuneration Committee and member of our Audit Committee and Nomination Committee.

Ms Yeong graduated with a Bachelor of Science (Honours) in Accounting and Finance from University of Wales College (now known as University of Wales), United Kingdom in October 2001. She was certified as a member of the Association of Chartered Certified Accountants in July 2007. She was certified as a chartered accountant and has been a member of Malaysian Institute of Accountants since July 2008.

In February 2003, Ms Yeong joined GHL Systems Berhad ("GHL"), a company listed on Main Market of Bursa Securities as an Assistant Accountant where she assisted in accounting and financial matters of GHL. In July 2005, she was transferred to Mobilityone Sdn Bhd, the then subsidiary of GHL and was promoted to Accounting Manager to assist in the adoption of new accounting system and was responsible for the financial matters of the company. In June 2006, she was transferred back to GHL and was promoted to Assistant General Manager where she was responsible for all financial management activities and compliance with the Government regulations. She left GHL in August 2009.

From September 2009 to August 2013, Ms Yeong was involved in direct selling of health drink products during which she was promoting the products. During the period from October 2010 to November 2011, her direct selling of products was carried out under Healthy Strand, a sole proprietorship involved in direct selling of health drink products. From July 2010 to August 2010, she was working on a part time basis as a finance adviser of SMR HR Group Sdn Bhd (a wholly-owned subsidiary of Minda Global Berhad, a company listed on the Main Market of Bursa Securities) where she advised the company on its financial and accounting matters. From August 2010 to April 2012, Ms Yeong took a career break and focused solely on direct selling. From April 2012 to November 2012, she was appointed as the Chief Financial Officer of Tanco Holdings Berhad (a company listed on the Main Market of Bursa Securities), where she was involved in the financial, accounting and administrative functions of the company. In September 2013, she joined Trend Thermal Windows & Doors Sdn Bhd, a company involved in architectural of aluminium works as a Business Development Manager (a position she continues to hold), where she was responsible in formulating the business strategy and implementing the business plan for the company.

Ms Yeong was appointed as an Independent Non-Executive Director of Sersol Berhad, a company listed on the ACE Market in August 2014 and Independent Non-Executive Director of TFP Solutions Berhad, a company listed on the ACE Market in February 2018.

Previously, she also held directorships in several public listed companies. In May 2010, she was appointed as an Independent Non-Executive Director of Asia Media Group Berhad, a company listed on Main Market of Bursa Securities and was subsequently re-designated to Senior Independent Non-Executive Director in February 2015. She resigned from Asia Media Group Berhad in December 2018. In October 2013, she was appointed as an Independent Non-Executive Director of Bright Packaging Industry Berhad, a company listed on Main Market of Bursa Securities and was subsequently re-designated to Senior Independent Non-Executive Director in April 2017. She resigned from Bright Packaging Industry Berhad in January 2020.

Kindly refer to Section 5.2.3 for her directorship and/or principal business activities performed outside our Group.

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

(viii) Datin Shelina Binti Razaly Wahi

Datin Shelina Binti Razaly Wahi, a Malaysian, aged 48, is our Independent Non-Executive Director. She was appointed to our Board on 17 September 2020, and is also the chairperson of our Risk Management Committee and member of our Remuneration Committee and Nomination Committee.

She graduated with a Bachelor of Laws from University of Bristol, United Kingdom in June 1995. She was admitted as a Barrister at Lincoln's Inn, London, United Kingdom in 1996. She was admitted as Advocate and Solicitor of High Court of Malaya in January 1998.

In September 1996 to February 2017, she was working on a part time basis with IMF Network Services (Malaysia) Sdn Bhd, as a Managing Editor for Ethos magazine where she was managing the editorial content of the magazine as well as securing sponsorships and advertisements. In March 1997, she chambered under Messrs Kumar Jaspal Quah & Aishah and was retained as a legal associate where she assisted in litigation cases.

In June 2000, she left Messrs Kumar Jaspal Quah & Aishah and joined Shell Malaysia Trading Sdn Bhd as a Legal Counsel where she was responsible for all litigation related and legal human resources related matters. In August 2006, she left Shell Malaysia Trading Sdn Bhd and joined Astro Entertainment Sdn Bhd (a wholly-owned subsidiary of Astro Malaysia Holdings Berhad, a company listed on the Main Market of Bursa Securities) in September 2006 as a Channel Manager where she pioneered a 24-hour Malay-language children's television channel broadcasted on Astro.

In July 2007, she left Astro Entertainment Sdn Bhd and joined AirAsia X Berhad (a company listed on the Main Market of Bursa Securities) as Director of the Legal and People Department where she was responsible for all legal-related matters as well as human resources related matters. In December 2010, she was appointed as the Director of Legal and Regulatory Affairs department of AirAsia X Berhad where she was responsible for all legal-related matters as well as having a regulatory oversight role within the company.

In February 2014, she left AirAsia X Berhad and joined BIG Duty Free (M) Sdn Bhd, a company involved in the sale of duty free products in March 2014, as the Head of Legal and Human Resources where she was in charge of all legal-related matters as well as human resources related matters.

In March 2014, she was appointed as the Chief Executive Officer of Dewina Super Froyo Sdn Bhd (a company substantially owned by her family) where she was involved in the set-up of the food and beverage company.

She left BIG Duty Free (M) Sdn Bhd in September 2014 and Dewina Super Froyo Sdn Bhd in October 2014. In October 2014, she joined Abdullah Chan & Co as a Partner (a position she continues to hold) where she handles various corporate as well as mergers and acquisitions matters, with a primary focus on aviation and aerospace sectors.

In August 2019, she was appointed as an Independent Non-Executive Director of Marine & General Berhad, a company listed on the Main Market of Bursa Securities, a position she continues to hold. In the same month, she was appointed as a Non-Independent Non-Executive Director of Lam Soon (M) Berhad, a public company, a position she continues to hold.

Kindly refer to Section 5.2.3 for her directorship and/or principal business activities performed outside our Group.

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

5.2.3 Principal business performed outside our Group

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

(i) Kok Kong Chin

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. ENRA Group Berhad (Listed on the Main Market of Bursa Securities)	Provision of management services and investment holding in companies involved in property development and energy services	Non-Independent Non-Executive Director	26 February 2016	Re- designated on 1 August 2016	-	-
		Executive Director	1 August 2016	-	-	-
2. EK Avenue Sdn Bhd	Investment holding in shares and property investment holding	Director / Shareholder	20 September 2007	-	99.9	-
3. Berkeley Capital Sdn Bhd	Investment holding in shares and property investment holding	Director / Shareholder	21 May 2013	-	31.7	-
4. Gabungan Ilmu Sdn Bhd	Education consulting services	Director / Shareholder	8 May 2017	-	10.0	-
5. Sri Lasallian Sdn Bhd	Education consulting services	Director	23 November 2018	-	-	-

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

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
6.	Versa Asia Sdn Bhd	Digital cash management platform	Shareholder	-	-	7.5	-
7.	Touch Money Sdn Bhd	Digital cash management platform	Shareholder	-	-	4.0	-
8.	Kamarene Energy Sdn Bhd	Investment holding in companies involved in rental property management	Director	2 February 2021	-	30.0	-
	<u>Subsidiaries or associated companies of ENRA Group Berhad</u>						
(1)	ENRA IOL Sdn Bhd	Supply and installation of energy saving lighting products	Director	28 March 2019	-	-	-
(2)	ENRA Land Sdn Bhd	Property investment holding and property development	Director	27 March 2019	-	-	-
(3)	ENRA Labuan Sdn Bhd	Property development	Director	8 May 2017	-	-	-
(4)	ENRA Emrail Sdn Bhd	Dormant. Its intended principal activity is in engineering services, construction of railways and subways	Director	28 August 2017	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Past Involvement</u>						
<u>Subsidiary of ENRA Group Berhad</u>						
(1) ENRA Energy Solutions Sdn Bhd	Dormant. Its intended principal activity is in supply of equipment and provision of maintenance services for the oil and gas industry	Director	25 September 2018	4 March 2020	-	-
(2) ENRA Power Systems Sdn Bhd	Dormant. Its intended principal activity is in import and export of industrial machinery, equipment and supplies, repair and maintenance of industrial machinery and equipment	Director	2 March 2018	16 October 2020	-	-

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

(ii) Chin Soo Mau

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Startige Corporation Sdn Bhd	Renting of properties and property investment holding	Director / Shareholder	1 February 2012	-	51.0	-
2. Supreme Uptrend Sdn Bhd	Property investment holding	Director / Shareholder	13 September 2010	-	50.0	-
3. YCH Estate Sdn Bhd	Property investment holding	Director / Shareholder	10 April 2018	-	90.0	-
4. Amberland Realty Sdn Bhd	Property investment holding	Director / Shareholder	11 January 2013	-	50.0	-
5. Smal Holding Sdn Bhd	Renting of properties and property investment holding	Director / Shareholder	3 May 2010	-	60.0	-
6. Oribest Engineering Sdn Bhd	Property investment holding	Director / Shareholder	8 February 2010	-	50.0	-
7. Temasya Abadi Sdn Bhd	Property investment holding	Shareholder	-	-	12.0	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Past Involvement</u>						
1. Advanced Engineering Project Sdn Bhd	Sale of enzyme, grease interceptor and related materials	Director	6 July 2009	26 April 2016	-	-
2. Platinum Recognition Sdn Bhd	Budget hotel operations	Director / Shareholder	15 April 2014	22 June 2020	25.0	-
3. Body Infinite Sdn Bhd	Dormant (Dissolved on 20 March 2019)	Shareholder	-	-	25.0	-
(iii) Tai Yee Chee						
Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Startige Corporation Sdn Bhd	Renting of properties and investment holding	Director / Shareholder	16 March 2006	-	24.5	-

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

(iv) Wee Chek Aik

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. TSJ Ventures Sdn Bhd	Property investment holding	Director	21 March 2018	-	-	-
2. Best Shine Avenue Sdn Bhd	Property investment holding	Director / Shareholder	25 February 2003	-	50.0	-
3. Startige Corporation Sdn Bhd	Renting of properties and investment holding	Director / Shareholder	16 March 2006	-	24.5	-

(v) Teh Li King

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Hextar Premier Sdn Bhd	Renting of properties and investment holding	Director	11 March 2013	-	-	-
2. Hextar Rubber Sdn Bhd	Investment holding of shares	Director	9 March 2020	-	-	-
3. Hextar Industrial Chemicals Sdn Bhd	Trading and distribution of industrial chemical products	Director	10 September 2015	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
4. Nascent Resources Sdn Bhd	Trading of engineering parts and provision of engineering services	Director / Shareholder	17 December 2018	-	5.0	-
5. Hextar Chemtech Sdn Bhd	Investment holding of shares	Director	25 April 2019	-	-	-
6. Hextar DGW Sdn Bhd	Manufacture of agriculture biotechnology products	Director	10 September 2015	-	-	-
7. Hextar KCS Sdn Bhd	Manufacture of specialty oilfield chemicals	Director	4 July 2018	-	-	-
8. Hextar IOT Sdn Bhd	Trading of industrial machinery, equipment and supplies	Director	20 April 2020	-	-	-
9. Get Food Sdn Bhd	Dormant. Its intended principal activity is investment holding	Director	16 March 2020	-	-	-
10. Get Asia Group Sdn Bhd	Dormant. Its intended principal activity is investment holding	Director	16 March 2020	-	-	-
11. Getsmart Innovation Sdn Bhd	Research and development of information communication technology (ICT), leasing of intellectual property and provision of computer consultancy services	Director	16 March 2020	-	-	-
12. Getsupply Hub Sdn Bhd	Trading of food supplies	Director	16 March 2020	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
13. Geteat Sdn Bhd	Marketing and sale of food and beverage	Director	16 March 2020	-	-	-
14. Get Foodtech Berhad	Dormant. Its intended principal activity is investment holding	Director	13 March 2020	-	-	-
15. Hextar International Group Sdn Bhd	Investment holding of shares	Director	10 September 2015	-	-	-
16. Hextar Research Center Sdn Bhd	Dormant. Its intended principal activity is investment holding	Director	10 September 2015	-	-	-
17. Hextar Fertilizers Group Sdn Bhd	Investment holding of shares	Director	10 September 2015	-	-	-
18. Amalan Prestasi Sdn Bhd	Property investment holding	Director	10 September 2015	-	-	-
19. Hextar Fert Sdn Bhd	Sale of fertilizers and provision of warehousing services	Director	10 September 2015	-	-	-
20. Hextar Marketing Sdn Bhd	Trading of building materials	Director	22 November 2010	-	-	-
21. Hextar Oil & Gas Sdn Bhd	Manufacturing and distribution of chemicals for oil and gas industry	Director	26 July 2019	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
22. OCM Land Sdn Bhd	Dormant. Its intended principal activity is property investment holding	Director / Shareholder	17 July 2018	-	51.0	-
23. Hextar Land Sdn Bhd	Dormant. Its intended principal activity is property investment holding	Director / Shareholder	17 July 2018	-	51.0	-
24. SCH Land Sdn Bhd	Dormant. Its intended principal activity is property investment holding	Director / Shareholder	23 July 2018	-	51.0	-
25. TK Equipment Sdn Bhd	Trading of lifting and handling equipment	Director	20 April 2017	-	-	-
26. Rogue Riders Sdn Bhd	Provision of management consultancy services	Director / Shareholder	9 August 2017	-	14.3	-
27. TK Rentals Sdn Bhd	Renting and trading of mobile air conditioners, tents and event related equipment and tools	Director	18 August 2016	-	-	-
28. Hextar Petrochem Sdn Bhd	Manufacturing, sale and distribution of chemicals	Director / Shareholder	24 February 2017	-	30.0	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
29. SWS Capital Berhad (Listed on the Main Market of Bursa Securities)	Investment holding of companies involved in the manufacturing and sale of furniture products; lamination of veneer and paper; trading of boards, polythylene, pneumatic fasteners, nails and others; manufacturing and trading of plasticwares, utensils and goods; marketing and distribution of plasticware and household products	Executive Director	12 January 2021	-	-	-
30. Opcom Holdings Berhad (Listed on the ACE Market)	Renting of properties, provision of management services and investment holding in companies involved in manufacturing of fibre optic cables and provision of telecommunication engineering services	Non-Independent Non-Executive Director	24 February 2021	-	-	-
31. Complete Logistic Services Berhad (Listed on the Main Market of Bursa Securities)	Investment holding of companies involved in provision of logistics services, warehousing and marine transportation	Non-Independent Non-Executive Director	8 March 2021	-	-	-

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

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	<u>Subsidiaries of Hextar Global Berhad (Listed on Main Market of Bursa Securities)</u>						
(1)	Halex Biotechnologies Sdn Bhd	Research and development of horticulture and agro-biotechnology products	Director	22 May 2017	-	-	-
(2)	Halex Link Sdn Bhd	Renting of properties and property investment holding	Director	22 May 2017	-	-	-
(3)	Hextar Chemicals Group Sdn Bhd	Investment holding of shares	Director	10 September 2015	-	-	-
(4)	Hextar Chemicals Sdn Bhd	Manufacturing, exporting and distribution of chemicals	Director	10 September 2015	-	-	-
(5)	Halex Marketing Sdn Bhd	Trading of disposable healthcare products	Director	22 May 2017	-	-	-
(6)	Halex Realty Sdn Bhd	Property investment holding	Director	22 May 2017	-	-	-
(7)	Halex Management Sdn Bhd	Provision of management services	Director	22 May 2017	-	-	-
(8)	Halex Industries (M) Sdn Bhd	Manufacturing and distribution of agricultural chemicals, fertilisers and compounds	Director	22 May 2017	-	-	-

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

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
(9)	Halex Woolton (M) Sdn Bhd	Manufacturing and distribution of disposable healthcare products	Director	22 May 2017	-	-	-
(10)	Hextar Unifop Sdn Bhd	Manufacturing, exporting, importing and marketing of surfactants, specialty chemicals, intermediates, agrochemical additives, oil fields chemicals, emulsifiers and agrichemicals	Director	9 September 2020	-	-	-
(11)	Hextar R&D International Sdn Bhd	Product testing, research, development and product formulation registration of chemicals	Director	9 September 2020	-	-	-
(12)	Hextar Biogas Bee Sdn Bhd	Investment holding of company involved in the research, design, construction, installation and commissioning of biogas system	Director	30 March 2021	-	-	-
(13)	Biogas Environmental Engineering Sdn Bhd	Research, design, construction, installation and commissioning of biogas system	Director	30 March 2021	-	-	-
<u>Subsidiaries of SWS Capital Berhad</u>							
(1)	U.D. Wood Products Sdn Bhd	Manufacturing and sale of veneered MDF boards	Director	23 April 2021	-	-	-

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

	Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
(2)	U.D. Panelform Sdn Bhd	Manufacturing and sale of laminated MDF boards	Director	23 April 2021	-	-	-
(3)	Poh Keong Industries Sdn Bhd	Manufacturing of furniture and furniture parts	Director	26 April 2021	-	-	-
(4)	Syarikat U.D. Trading Sdn Bhd	Trading of furniture, plywood, hardware, equipment and construction materials as well as provision of transportation services	Director	23 April 2021	-	-	-

Past Involvement

1.	TK Equipment Sdn Bhd	Trading of lifting and handling equipment	Director	15 December 2016	24 January 2017	-	-
2.	Hextar Solutions Sdn Bhd	Manufacturing and marketing of fertilizers	Director	15 November 2016	20 September 2019	-	-
3.	Hextar Agriculture Sdn Bhd	Manufacturing and marketing of fertilizers	Director	15 November 2016	20 September 2019	-	-
4.	Nascent Portfolio Sdn Bhd	Dormant. Its intended principal activity is investment holding	Director	25 May 2012	1 March 2019	-	-
5.	Nusa Suasa Sdn Bhd	Dormant (Dissolved on 26 February 2019)	Director	26 July 2018	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
6. Halex International Sdn Bhd	Dormant (Dissolved on 26 February 2019)	Director	22 May 2017	-	-	-
7. Halex Ventures Sdn Bhd	Dormant (Dissolved on 26 February 2019)	Director	22 May 2017	-	-	-
8. Halex Trading Sdn Bhd	Dormant (Dissolved on 26 February 2019)	Director	22 May 2017	-	-	-
9. Hextar Fertilizers Sdn Bhd	Marketing and distribution of fertilizers	Director	10 September 2015	22 September 2020	-	-
10. PK Fert Sdn Bhd (formerly known as Multifert Sdn Bhd)	Manufacturing, marketing and distribution of fertilizers	Director	10 September 2015	21 January 2021	-	-
<u>Subsidiary of Hextar Global Berhad (Listed on Main Market of Bursa Securities)</u>						
(1) Halex (M) Sdn Bhd	Manufacturing and distribution of agrochemical products	Director	22 May 2017	25 September 2019	-	-
<u>Subsidiary and associated companies of ATA IMS Berhad (Listed on the Main Market of Bursa Securities)</u>						
(1) Denko Management Services Sdn Bhd	Dormant. Its intended principal activity is the provision of management services	Director	14 September 2015	21 March 2017	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
(2) Winsheng Plastic Industry Sdn Bhd	Manufacturing of precision plastic moulded products	Director	14 September 2015	21 March 2017	-	-
(3) Winsheng Plastic Marketing Sdn Bhd	Marketing and sale of plastic injection products (Dissolved on 7 February 2020)	Director	14 September 2015	21 March 2017	-	-
(4) Lean Teik Soon Sdn Bhd	Trading of foodstuffs and consumer goods	Director	14 September 2015	21 March 2017	-	-

(vi) Ong Keng Siew

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
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Present involvement

1. Paramount Corporation Berhad (Listed on Main Market of Bursa Securities)	Provision of management services and investment holding of companies involved in property development, construction and education services	Executive Director / shareholder	14 November 1994	Re-designated on 25 March 1997	0.9	-
		Deputy Group Managing Director / Chief Executive Officer	25 March 1997	Re-designated on 1 December 2008	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
		Group Managing Director / Chief Executive Officer	1 December 2008	Retired and re- designated on 18 June 2012	-	-
		Non-Independent Non-Executive Director	18 June 2012	Re- designated on 14 August 2014	-	-
		Independent Non- Executive Director	14 August 2014	-	-	-
2. United Malacca Berhad (Listed on the Main Market of Bursa Securities)	Investment holding of companies involved in cultivation of oil palm, palm oil milling and forest plantations	Independent Non- Executive Director	19 January 2017	-	-	-
3. Tenggara Mulia Sdn Bhd	Property investment holding	Director / shareholder	18 December 2017	-	100.0	-
4. V Gold Sdn Bhd	Renting of properties and property investment holding	Director / shareholder	19 January 2015	-	50.0	-
5. Lorem Vascular (M) Sdn Bhd	Distribution of medical equipment	Director	12 June 2014	-	-	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
6. Melor Melati Sdn Bhd	Renting of properties and property investment holding	Director / shareholder	13 June 2008	-	83.3	-
7. Teroka Mulia Sdn Bhd	Investment holding in shares	Director / shareholder	29 March 2021	-	10.0	-

(vii) Yeong Siew Lee

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
<u>Present involvement</u>						
1. Sersol Berhad (Listed on the ACE Market)	Provision of management services and investment holding of companies involved in manufacturing and sales of paints, chemical solvent, coatings and industrial chemicals	Independent Non-Executive Director	11 August 2014	-	-	-
2. TFP Solutions Berhad (Listed on the ACE Market)	Provision of management services and investment holding of companies involved in provision of consulting and trading of information technology (IT) related products and services	Independent Non-Executive Director	6 February 2018	-	-	-
3. YSL Solutions Sdn Bhd	Dormant. Its intended principal activities is to provide interior fit-out services	Director / shareholder	27 September 2018	-	40.0	-

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

Company	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
<u>Past Involvement</u>						
1. Bright Packaging Industry Berhad (Listed on the Main Market of Bursa Securities)	Manufacturing of aluminium foil packaging materials and investment holding of companies	Independent Non-Executive Director	11 October 2013	Re-designated on 10 April 2017	-	-
		Senior Independent Non-Executive Director	10 April 2017	23 January 2020	-	-
2. Asia Media Group Berhad (Listed on the Main Market of Bursa Securities)	Investment holding of companies involved in multimedia advertising and media related services	Independent Non-Executive Director	5 May 2010	Re-designated on 13 February 2015	-	-
		Senior Independent Non-Executive Director	13 February 2015	31 December 2018	-	-

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

(viii) Datin Shelina Binti Razaly Wahi

Company / Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
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Present involvement

1. Abdullah Chan & Co	Legal firm	Partner	31 October 2014	-	-	-
2. Marine & General Berhad (Listed on the Main Market of Bursa Securities)	Investment holding of companies involved in provision of offshore marine support services and logistics services	Independent Non-Executive Director	1 August 2019	-	-	-
3. Lam Soon (M) Berhad	Investment holding of companies involved in processing and refining of palm oil, manufacturing, marketing, sales, trading and distribution of refined palm oil products, cooking oil, soap and detergent, fats, margarine and other consumer products	Non-Independent Non-Executive Director	1 August 2019	-	-	-
4. Dazzling Merchant Sdn Bhd	Investment holding and provision of management services for food and beverages companies	Director / Shareholder	15 January 2014	-	40.0	-

Past Involvement

1. Dewina Super Froyo Sdn Bhd	Sale of food and beverages (Wound up on 14 September 2020)	Director	17 April 2014	26 November 2019	-	-
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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT PERSONNEL (Cont'd)

Company / Partnership	Principal activities	Involvement / Position held	Date of appointment	Date of resignation	shareholdings held (direct)	% of shareholdings held (indirect)
2. AAX Management Equity Sdn Bhd	Dormant (Dissolved on 20 March 2017)	Director / Shareholder	15 November 2010	-	50.0	-
3. SR Wahi Consultants Sdn Bhd	Provision of consultancy services (Dissolved on 6 February 2018)	Director / Shareholder	28 August 2014	-	50.0	-
4. Pancaran Sukma Sdn Bhd	Project management and consultancy services (Dissolved on 24 February 2017)	Director	24 May 2002	-	-	-

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

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. The involvement of our Managing Director and Executive Directors in those business activities does not require significant amount of time, and hence does not affect their abilities to perform their executive roles and responsibilities to our Group as well as their contribution to our Group. The involvement of our Non-Independent Non-Executive Director and Independent Non-Executive Directors in those business activities will not affect their contribution to our Group.

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

5.2.4 Directors' and key senior management's remuneration and benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2020 and financial year ending 2021 are as follows:

FYE 2020	Directors' fees	Salaries	Bonuses	Benefits-in-kind and allowance⁽¹⁾	Total
Director	RM'000	RM'000	RM'000	RM'000	RM'000

Non-Executive Directors

Kok Kong Chin	-	-	-	-	-
Teh Li King	-	-	-	-	-
Ong Keng Siew	-	-	-	-	-
Yeong Siew Lee	-	-	-	-	-
Datin Shelina Binti Razaly Wahi	-	-	-	-	-

Executive Directors

Chin Soo Mau	68	597	58	93	816
Tai Yee Chee	68	584	71	64	787
Wee Chek Aik	68	573	41	64	746

Proposed for financial year ending 2021	Directors' fees	Salaries	Bonuses⁽²⁾	Benefits-in-kind and allowance⁽¹⁾	Total	Amount paid from 1 January 2021 to 30 April 2021
Director	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

Non-Executive Directors

Kok Kong Chin	60	-	-	-	60	-
Teh Li King	36	-	-	-	36	-
Ong Keng Siew	36	-	-	-	36	-
Yeong Siew Lee	36	-	-	-	36	-
Datin Shelina Binti Razaly Wahi	36	-	-	-	36	-

Executive Directors

Chin Soo Mau	60	638	-	146	844	282
Tai Yee Chee	60	613	-	96	769	256
Wee Chek Aik	60	611	-	96	767	256

Notes:

⁽¹⁾ Includes car and travelling allowances.

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

- (2) The bonuses for financial year ending 2021 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our key senior management for services rendered in all capacities to our Group for FYE 2020 and financial year ending 2021 are as follows:

FYE 2020		Remuneration band (in bands of RM50,000)		
		Remuneration	Benefits-in-kind	Total
Key senior management		RM	RM	RM
Chew Teik Siang		400,000 – 450,000	0 – 50,000	400,000 – 450,000
Wong Boon Kwang		350,000 – 400,000	0 – 50,000	350,000 – 400,000
Oh Keng Jin		500,000 – 550,000	0 – 50,000	500,000 – 550,000

Proposed financial ending 2021	for year	Remuneration band (in bands of RM50,000)			Amount paid from 1 January 2021 to 30 April 2021
Key management	senior	Remuneration	Benefits-in-kind	Total	
		RM	RM	RM	RM
Chew Teik Siang		250,000 – 300,000	0 – 50,000	250,000 – 300,000	92
Wong Boon Kwang		250,000 – 300,000	0 – 50,000	250,000 – 300,000	84
Oh Keng Jin		350,000 – 400,000	0 – 50,000	400,000 – 450,000	139

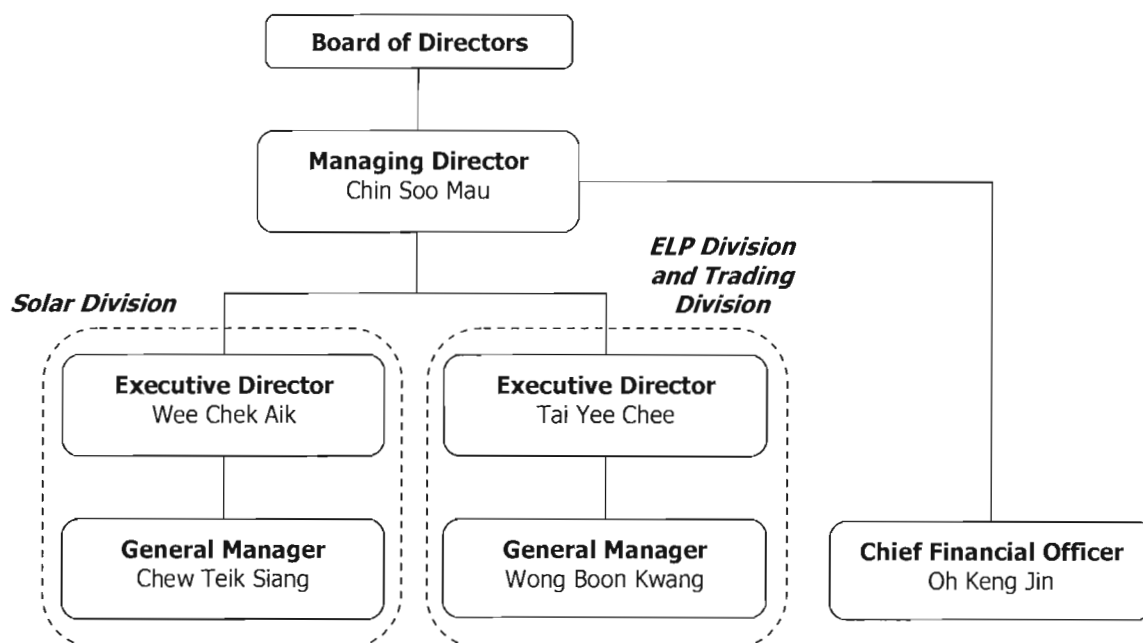
The remuneration which includes our Directors' salaries, bonus, fees and allowances as well as other benefits, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. Any change in Director's fees as set out in our Constitution must be approved by our shareholders pursuant to an ordinary resolution passed at a general meeting where appropriate notice of the proposed changes should be given. Please refer to Section 14.2 for further details.

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

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management Structure



5.3.2 Key senior management's shareholdings

The shareholdings of our key senior management (other than Chin Soo Mau, Tai Yee Chee and Wee Chek Aik) in our Company before and after our IPO assuming that our key senior management will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation/ Nationality	Before IPO				After IPO ⁽¹⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Chew Teik Siang	General Manager and Director of Pekat Solar / Malaysian	-	-	-	-	2,000,000	0.3	-	-
Wong Boon Kwang	General Manager and Director of Pekat E&LP / Malaysian	-	-	-	-	1,400,000	0.2	-	-
Oh Keng Jin	Chief Financial Officer / Malaysian	-	-	-	-	1,400,000	0.2	-	-

Note:

⁽¹⁾ Based on the enlarged share capital of 644,968,200 Shares after the IPO.

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

5.3.3 Profiles of key senior management

The profiles of our other key senior management are as follows:

(i) Chew Teik Siang

Chew Teik Siang, a Malaysian, aged 45, is the General Manager and a Director of Pekat Solar. He is responsible for the day-to-day operations of our Solar Division.

Mr Chew graduated with a Bachelor in Electrical and Electronics Engineering (Honours) from Loughborough University, United Kingdom in July 1998.

Upon graduation, he joined AMP Corporation Sdn Bhd as a System Engineer in September 1998, where he was involved in the maintenance of sea surveillance systems. In June 2000, he left AMP Corporation Sdn Bhd and joined Electcoms Sdn Bhd in July 2000 as a Supervising Engineer where he supervised the maintenance of base transmitter stations for paging and radio systems.

He left Electcoms Sdn Bhd in February 2002 to join Huawei Technologies Sdn Bhd in March 2002 as a Technical Support Engineer where he was involved in the coordination work for implementing telecommunication system projects.

In March 2003, Mr Chew left Huawei Technologies Sdn Bhd and joined Pekat Teknologi in June 2003 as a Sales Engineer where he was involved in the marketing and sales of ELP systems. He was appointed as a Director of Pekat Solar in November 2010. He was subsequently appointed as the General Manager of Pekat Solar in February 2011, a position he continues to hold.

(ii) Wong Boon Kwang

Wong Boon Kwang, a Malaysian, aged 46, is the General Manager and a Director of Pekat E&LP. He is responsible for the day-to-day operations of our ELP Division and Trading Division.

Mr Wong obtained a Diploma of Civil Engineering from the Federal Institute of Technology, Malaysia in December 1997 and graduated with a Bachelor in Civil Engineering (Honours) from University of Portsmouth, United Kingdom in June 1999.

Upon graduation, he joined Perunding Mahareka in October 1999 as a Design Engineer where he was involved in the design of civil and structures for residential projects. In February 2000, he left Perunding Mahareka and joined Hoyuen (M) Sdn Bhd in March 2000 as a Project Engineer, where he was involved in a school construction project. He left Hoyuen (M) Sdn Bhd in February 2001 and joined Icomar Jaya Sdn Bhd in March 2001 as a Project Engineer where he was involved in the residential and commercial construction projects.

He left Icomar Jaya Sdn Bhd in February 2002 and joined Jetson Construction Sdn Bhd, a wholly-owned subsidiary of Kumpulan Jetson Berhad, a company listed on Main Market of Bursa Securities in April 2002, as a Site Engineer where he was involved in the planning, site coordination and supervision of the Electrified Double Tracking Project and residential construction projects. In March 2004, he left Jetson Construction Sdn Bhd and joined Wira Syukur (M) Sdn Bhd in July 2004, as a Project Engineer, where he was involved in the planning, coordination and supervision of residential construction projects.

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

In May 2005, he left Wira Syukur (M) Sdn Bhd and joined Cempaka Sdn Bhd in July 2005, as a Resident Engineer where he was involved in the planning, coordination and supervision of commercial construction projects. In June 2007, he left Cempaka Sdn Bhd to join Purcon (M) Sdn Bhd in July 2007 as a Project Manager where he was in charge of the commercial construction projects.

In August 2008, Mr Wong left Purcon (M) Sdn Bhd and joined Pekat Teknologi in September 2008, as a Project Manager where he was involved in implementing ELP projects. In January 2012, he was transferred to Pekat E&LP where he resumed his position as a Project Manager. In January 2015, he was promoted to General Manager of Pekat E&LP. He was appointed as a Director of Pekat E&LP in May 2020.

(iii) Oh Keng Jin

Oh Keng Jin, a Malaysian, aged 50, is our Chief Financial Officer. He is responsible for all financial, accounting and administrative functions of our Group.

Mr Oh obtained a Diploma in Accounting from London of Chamber Commerce and Industry Examination Board in 1990. He was certified as a member of the Association of Chartered Certified Accountants in January 2001 and fellow member of the Association of Chartered Certified Accountants in November 2005. He was certified as a chartered accountant and has been a member of Malaysian Institute of Accountants since November 2000.

In December 1994, Mr Oh joined Thiang & Co as an Audit Junior where he was involved in statutory audit of private and public companies. He was promoted to Audit Senior in December 1995. In June 1997, Mr Oh left Thiang & Co and joined Star Cruises Administrative Services Sdn Bhd as an Assistant Accountant, and was promoted to Accountant in February 2001, where he was responsible for the management accounting and annual budgeting. In September 2001, he left Star Cruises Administrative Services Sdn Bhd and joined Dumex (Malaysia) Sdn Bhd (now known as Danone Dumex (Malaysia) Sdn Bhd) as an Accountant, and was promoted to Senior Accountant in January 2004, where he was responsible for budget forecasting as well as finance analysis, until April 2005.

In April 2005, Mr Oh joined F&N Dairies (M) Sdn Bhd ("F&N Dairies"), a wholly-owned subsidiary of Fraser & Neave Holdings Bhd, a company listed on Main Market of Bursa Securities as a Finance Manager, where he was responsible for the management accounting and annual budgeting.

In December 2007, he left in F&N Dairies to join Dutch Lady Milk Industries Berhad, a company listed on Main Market of Bursa Securities as a Senior Management Accountant for 6 months before returning to F&N Dairies as Finance Manager in July 2008. In April 2014, Mr Oh left F&N Dairies and joined Shaklee Products (Malaysia) Sdn Bhd, a company involved in multilevel marketing of health products as Financial, Planning and Analysis Director, where he was responsible for the strategic planning and annual budgeting of the company.

In April 2017, Mr Oh left Shaklee Products (Malaysia) Sdn Bhd and joined F&N Beverages Marketing Sdn Bhd, a wholly-owned subsidiary of Fraser & Neave Holdings Bhd as a Commercial Financial Controller, where he was involved in the finance and accounting matters as well as sales planning.

In December 2018, he left F&N Beverages Marketing Sdn Bhd and joined our Group as Chief Financial Officer, a position he continues to hold.

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

5.3.4 Principal business performed outside our Group

Save for Chin Soo Mau, Tai Yee Chee and Wee Chek Aik, none of our key senior management has any other principal directorship and/or principal business activities performed outside our Group as at the LPD.

5.4 RELATIONSHIPS AND/OR ASSOCIATIONS

Save as disclosed below, there are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management:

- (i) Teh Li King is the Group Chief Corporate Officer of Hextar group of companies and a corporate representative of Hextar, our substantial shareholder; and
- (ii) Dato' Ong Soon Ho, Datin Teoh Siew Yoke @ Teoh Siew Chin and Dato' Ong Choo Meng are family members. They are the controlling shareholders of Hextar, our substantial shareholder.

5.5 BOARD PRACTICE

5.5.1 Board

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

- (i) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (ii) To review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (iii) To review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (iv) To ensure that our Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance;
- (v) To review the effectiveness and implementation of anti-bribery and anti-corruption policy and framework;
- (vi) To review and approve our Group's annual business plans, financial statements and annual reports;
- (vii) To monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and

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

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

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows:

Name	Date of appointment as Director	Date of expiration of the current term in office	Approximate no. of years in office as at the LPD
Kok Kong Chin	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year
Chin Soo Mau	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year
Tai Yee Chee	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year
Wee Chek Aik	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year
Teh Li King	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year
Ong Keng Siew	7 May 2019	At the 2022 Annual General Meeting of our Company	2 years
Yeong Siew Lee	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year
Datin Shelina Binti Razaly Wahi	17 September 2020	At the 2021 Annual General Meeting of our Company	Less than 1 year

In accordance with our Constitution, at the first annual general meeting of our Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of the Directors are subject to retirement by rotation such that each Director shall retire from office once in every 3 years or, if their number is not 3 or a multiple of 3, the number nearest to one-third shall retire from office such that each Director shall retire from office once in every 3 years, and if there is only 1 Director who is subject to retirement by rotation, he shall retire. All Directors who retire from office shall be eligible for re-election.

The members of our Board are set out in Sections 1 and 5.2.

5.5.2 Audit Committee

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

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

- (i) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- (ii) To review and recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) To conduct periodic review of the involvements of our Managing Director and Executive Directors in the companies outside of our Group, in which they have executive functions to ensure that it does not affect their role and responsibilities within our Group;
- (iv) To demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements;
- (v) To review and provide advice on whether the financial statements taken as a whole provide a true and fair view of our Company's financial position and performance;
- (vi) To do the following, in relation to the internal audit function:
 - (a) consider and approve the appointment of internal auditors, internal audit fee and any question of resignation or dismissal;
 - (b) review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
 - (c) review the internal audit plan and results of the internal audit assessments and investigation undertaken, and ensure that appropriate action is taken on the recommendations of the internal auditors;
 - (d) consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in response to audit findings;
 - (e) review and decide on the budget allocated to the internal audit function;
 - (f) appraise or assess the performance of members of the internal audit function; and
 - (g) maintain a direct line of communication between our Board with internal audit and monitor the overall performance of our Company's internal audit function.
- (vii) To perform such other functions as may be requested by our Board.

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

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

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

Name	Designation	Directorship
Ong Keng Siew	Chairman	Independent Non-Executive Director
Kok Kong Chin	Member	Independent Non-Executive Chairman
Yeong Siew Lee	Member	Independent Non-Executive Director

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

5.5.3 Remuneration Committee

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

- (i) To establish and recommend to our Board, the remuneration package for Executive Directors such as the terms of employment or contract of employment/service, benefit, pension, incentive scheme, bonuses, fees, expenses, compensation payable on termination of the service contract by our Company and/or our Group;
- (ii) To review and recommend to our Board the remuneration packages of Non-Executive Directors for shareholders' approval at the Annual General Meeting;
- (iii) To consider other remunerations or rewards to retain, motivate and attract Directors; and
- (iv) To assist our Board in developing and administering a fair and transparent procedure for setting policy on remuneration of Executive Directors and key senior management.

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

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

Name	Designation	Directorship
Yeong Siew Lee	Chairperson	Independent Non-Executive Director
Ong Keng Siew	Member	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi	Member	Independent Non-Executive Director

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

5.5.4 Nomination Committee

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

- (i) To review the composition and size of our Board and determine the criteria for membership on our Board, which may include, among other criteria, issues of character, judgment, independence, diversity, age, expertise, corporate experience, length of service and other commitments;
- (ii) To identify and nominate for the approval of our Board, candidates to fill Board vacancies or strengthen our Board's composition as and when they arise. Before any appointment is made by our Board, evaluate the balance of skills, knowledge, experience and diversity on our Board, and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- (iii) To assist our Board to assess and evaluate circumstances where a Director involvement outside our Group may give rise to a potential conflict of interest with our Group's businesses, upon receiving the declaration of the same from our Director and thereafter, to inform the Audit Committee of the same. After deliberation with the Audit Committee, to recommend to our Board on the necessary actions to be taken in the circumstances where there is a conflict of interest;
- (iv) In identifying suitable candidates, the Nomination Committee shall:
 - (a) consider open advertising or the services of external advisers to facilitate the search;
 - (b) consider candidates from a wide range of backgrounds; and
 - (c) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on our Board, including gender and availability of time to devote to the position.
- (v) To evaluate the performance of individual members of our Board eligible for re-election, and select, or recommend for the selection of our Board;
- (vi) To assess the independence of the Independent Directors annually, and when any new interest or relationship develops and confirm the conduct of this assessment in the annual report of our Company and in any notice convening a general meeting seeking approval for the appointment or re-appointment of Independent Directors;
- (vii) To review the fulfilment of Directors' training and disclose details in the annual report as appropriate;
- (viii) To review with the Managing Director and the Executive Directors, their goals and objectives and to assess their performance against these objective as well as their contribution to the corporate strategy;
- (ix) To give full consideration to succession planning for Directors and key senior management, taking into account the challenges and opportunities faced by our Company, and the required skills and expertise that are needed by our Board in future;

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

- (x) To review periodically the composition of each committee of our Board and make recommendations to our Board for the creation of additional committees or the change in mandate or dissolution of committees; and
- (xi) To review the term of office and performance of all our Board Committees and each of its members annually to determine whether such the members have carried out their duties in accordance with their terms of reference.

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

The members of our Nomination Committee as at the LPD are as follows:

Name	Designation	Directorship
Kok Kong Chin	Chairman	Independent Non-Executive Chairman
Yeong Siew Lee	Member	Independent Non-Executive Director
Datin Shelina Binti Razaly Wahi	Member	Independent Non-Executive Director

5.5.5 Risk Management Committee

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

- (i) To review and monitor any related party transaction/business dealings entered into by our Group and any conflict of interest situation that may arise within our Group to ensure that they are conducted on arms' length basis and based on terms that are fair to our Group;
- (ii) To oversee and recommend the risk management policies and procedures of our Group;
- (iii) To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which address the strategies, operational, financial and compliance risk;
- (iv) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;
- (v) To set reporting guidelines for our Management to report to the committee on the effectiveness of our Group's management of its business risks;
- (vi) To review the risk profile of our Group and to evaluate the measure taken to mitigate the business risks to safeguard shareholders' investments and our Company's assets;
- (vii) To review the adequacy of our Management's response to issues identified to risk registers, ensuring that our risks are managed within our Group's risk appetite;
- (viii) To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by our Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;

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

- (ix) To enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds our Group's credibility to all our stakeholders; and
- (x) To consider the major findings of internal investigations and our Management's response.

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

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

Name	Designation	Directorship
Datin Shelina Binti Razaly Wahi	Chairperson	Independent Non-Executive Director
Kok Kong Chin	Member	Independent Non-Executive Chairman
Ong Keng Siew	Member	Independent Non-Executive Director

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements (contracts for services) entered into between the companies within our Group, with our Directors or key senior management personnel.

5.7 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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

- (i) In the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a Director or a member of key senior management;
- (ii) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) In the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) In the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) In the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (vi) Being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;

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

- (vii) In the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) Has any unsatisfied judgment against such person.

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6. INFORMATION ON OUR GROUP

6.1 INCORPORATION AND HISTORY

Incorporation of Pekat Teknologi and changes in shareholders

The history of our Group can be traced back to the incorporation of Pekat Teknologi on 5 August 1999 where we commenced business in the same year as a distributor of surge protection devices. The company was co-founded by Chin Soo Mau, our present Managing Director who initially held 40.0% equity interest, while the remaining 60.0% was held by 2 other shareholders, Koh Heng Ken and Lim Mee Choo who later fully divested their equity interest in 2006. Prior to this, Chin Soo Mau was working at Mun Hean (M) Sdn Bhd where he was a Product Manager involved in the marketing and sales of ELP systems.

In May 2000, Tai Yee Chee, our present Executive Director joined Pekat Teknologi as the Technical Manager. Tai Yee Chee was a former classmate of Chin Soo Mau. In May 2000, Wee Chek Aik, our present Executive Director also joined Pekat Teknologi as the Marketing Manager. Tai Yee Chee and Wee Chek Aik were former colleagues at Tokai Engineering (M) Sdn Bhd, where they were working as an Assistant Sales and Project Manager and a Sales and Project Engineer respectively and involved in the marketing and sales of ELP systems and implementation of ELP projects.

In June 2004, Tai Yee Chee and Wee Chek Aik subscribed for 2,500 Pekat Teknologi Shares, representing 4.5% equity interest each. Also in June 2004, Pekat Teknologi increased its share capital, which resulted in shareholding of Chin Soo Mau, Tai Yee Chee and Wee Chek Aik being, 36.4%, 4.5% and 4.5%, respectively.

The partnership among our 3 Directors started in June 2006 when Chin Soo Mau, Tai Yee Chee and Wee Chek Aik acquired all the shares held by Koh Heng Ken and Lim Mee Choo in Pekat Teknologi (which represents 54.6% equity interest at point of transaction) at a total purchase consideration of approximately RM1.8 million and restructured the shareholdings of Pekat Teknologi, whereby Chin Soo Mau held 51.0%, Tai Yee Chee held 24.5% and Wee Chek Aik held 24.5% equity interests in Pekat Teknologi.

In 2012, we went through an internal restructuring exercise to rationalise our Group's 3 core business activities where Pekat Teknologi became the holding company, Pekat Solar took over the design, supply and installation of solar PV facilities (Solar Division), Pekat E&LP (incorporated on 22 November 2010) took over the supply and installation of ELP systems (ELP Division) while Pekat Engineering and E&LP Engineering took over distribution of electrical products and accessories businesses (Trading Division).

Our Managing Director, Chin Soo Mau is responsible for developing the overall strategic direction and business strategy of Pekat Group, while the ELP Division and Trading Division are helmed by Tai Yee Chee and the Solar Division is helmed by Wee Chek Aik.

On 7 September 2020, Hextar emerged as our new substantial shareholder when it acquired 25.0% equity interest in Pekat Teknologi from our existing shareholders, namely Chin Soo Mau, Tai Yee Chee and Wee Chek Aik for a total purchase consideration of RM50.0 million. Hextar had acquired 25.0% equity interest in Pekat Teknologi as part of its plan to diversify into renewable energy related business. Kindly refer to Section 6.2.1 for further details.

Hextar is a major shareholder of Hextar Global Berhad, a company listed on the Main Market of Bursa Securities. During August 2020, we secured a Letter of Award from Rubberex Alliance Sdn Bhd for the design, supply and installation of a solar PV power plant at Rubberex Alliance Sdn Bhd's factory in Ipoh, Perak for a total contract value of RM5.0 million, which was introduced by Hextar.

6. INFORMATION ON OUR GROUP (Cont'd)

Our historical milestones are as follows:

Our ELP Division and Trading Division

Upon commencement of our business operations in September 1999, Pekat Teknologi commenced distribution of surge protection devices in Malaysia. In 2000, we expanded to provide complete ELP solutions when we were awarded 2 contracts for the supply and installation of ELP systems on mobile communications base stations from a telecommunications company, which were completed in the same year. In 2001, we were awarded our first pile cap earthing system installation, a type of ELP system, for the Customs and Entrepreneur Building 2G1 in Putrajaya, which was completed in 2003. This involved the installation of an ELP system that connects to the building's foundation piling as the earth electrode to dissipate unintended electricity safely to the earth.

Our other notable projects for the supply and installation of ELP systems included:

Contract	Contract Value* (RM'000)	Commencement	Completion / status
Prime Minister's Residence in Putrajaya	134	March 2003	September 2003
A nationwide chain of petrol stations	790	December 2005	August 2008
2 semiconductor manufacturing facilities at Kulim Hi-tech Park, Kedah	1,101	July 2006	June 2007
		December 2012	August 2014
Electrified train double track between Sentul and Batu Caves, Kuala Lumpur	1,261	February 2008	January 2011
Legoland theme park in Johor Bahru	360	July 2011	June 2012
KLIA2 airport terminal at Sepang, Selangor	1,459	December 2010	May 2014
MRT 1 Sungai Buloh and Kajang maintenance depots and administration buildings	1,725	November 2012	May 2016
Substations and other buildings at the Pengerang Integrated Complex, Johor	6,898	March 2016	September 2019
Warisan Merdeka Tower (now known as Merdeka 118 Tower) in Kuala Lumpur	3,600	November 2016	On-going as at the LPD
The Exchange 106 at the Tun Razak Exchange in Kuala Lumpur	465	January 2016	July 2017
LRT 3 Depot Phase 1 (with contract value of RM3.1 million)	3,100	June 2017	June 2019

6. INFORMATION ON OUR GROUP (Cont'd)

Contract	Contract Value* (RM'000)	Commencement	Completion / status
MRT 2 stations	2,100	October 2017	On-going as at the LPD
MRT 2 viaduct guideways	2,090	September 2017	On-going as at the LPD
LRT 3 guideways	4,090	December 2017	On-going as at the LPD
LRT 3 station – Taman Andalas	3,588	September 2020	On-going as at the LPD

Note:

* Contract value includes variation orders, if there are any.

Please refer to Sections 6.6.4.10 and 6.6.4.11 for the completed and on-going ELP projects.

In January 2008, we secured the authorised distributorship for "Furse" brand of ELP related products through our subsidiary, E&LP Engineering (incorporated on 19 July 2007), which commenced operations in the same year. As part of our product expansion to offer our customers with alternative brands, we started distributing our "Pekat" brand of surge protection devices in May 2008 via Pekat Teknologi. Our "Pekat" brand of products are manufactured by third party manufacturers under our specifications and quality control.

We continued to expand on our distribution business segment through Pekat Engineering (incorporated on 22 November 2010) with the introduction of our "LEDsystem" brand of aviation warning light systems in January 2011, "Pekat" brand of ELP related products including conductors, lightning rods and earth bars through Pekat Engineering and "PWeld" brand of exothermic welding systems in June 2014. These brands comprise our portfolio of own brands of electrical products and accessories, which are manufactured by third party manufacturers under our specifications and quality control. Pekat Engineering was subsequently appointed as an authorised distributor in Malaysia for other brands of electrical products and accessories, namely for "Solar-Log" brand solar PV monitoring systems in December 2012, "Noark" brand DC circuit breakers in February 2012, and "Sungrow" brand of inverters in April 2015.

Authorised distributorships held by Pekat Engineering and E&LP Engineering are not exclusive, and they are subject to annual renewal.

Our Solar Division

In May 2009, as part of the Government's intention to promote the use of green technology, building owners who obtained the Green Building Index (GBI) would be given income tax exemption and buyers of the properties will be provided stamp duty exemptions from October 2009 to December 2014. GBI is a rating index on environmentally friendly buildings to save on utility costs and to preserve the environment.

In 2009, Chin Soo Mau and Chew Teik Siang (currently the General Manager of Pekat Solar) received their Institute for Sustainable Power Quality (ISPQ) accreditation with respect to solar PV Grid connected System from Pusat Tenaga Malaysia (which was replaced by SEDA in 2014). With this accreditation in hand, we had the in-house expertise to pursue opportunities

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

to design, supply and install solar PV facilities. We expanded into the solar PV industry when we were awarded our first contract to design, supply and install an on-grid solar PV system at Kuala Lumpur Sentral Lot E (now known as Platinum Sentral) with an installed capacity of 168.0 kWp in December 2010 (completed in August 2011). The building was the first in Malaysia to be certified with the Platinum GBI rating in March 2012. Pekat Teknologi was registered in the Malaysian Book of Records for being the first solar PV installer to receive ISO 50001:2011 certification for energy management system in November 2011.

In June 2011, the Government enacted the Renewable Energy Act 2011 and implemented FiT programme and established SEDA to administer and manage the FiT programme. The FiT programme was intended to promote the use of renewable energy sources including solar, biogas, biomass and mini hydropower to generate electricity. Pekat Solar (incorporated on 22 November 2010) was registered with SEDA as a service provider in 2012. This was a key milestone for our solar PV business.

Our first project under the FiT programme was undertaken by Pekat Teknologi. It was in April 2013 for the design, supply and installation of a 1.0 MWp solar PV power plant in Tok Bali, Pasir Puteh, Kelantan. This was also our first solar PV power plant project. Another notable solar PV milestone was a contract from SEDA as part of the "Government Leads by Example" (GLBE) initiative in October 2014 for the design, supply and installation of solar PV systems for 25 government ministry buildings in Putrajaya, with total installed capacity of 678.0 kWp. We completed this project in 3 months and subsequently in November 2016 we received an additional contract from SEDA under GLBE for the design, supply and installation of solar PV system with installed capacity of 70.0 kWp for Hospital Putrajaya.

Our solar PV business made further inroads into the market when the Government implemented the NEM programme in November 2016, which allows power consumers to generate solar PV power for their own consumption and export excess electricity to the power grid. We were awarded our first NEM contract for the design, supply and installation of a solar PV system (for with contract value of RM3.9 million) with installed capacity of 1.0 MWp at a commercial building in November 2017, which was completed in May 2018.

We were also involved in another government solar PV initiative in July 2017 when Pekat Solar was engaged as the subcontractor for the design, supply and installation of on-grid solar PV systems under the "MySuria" programme.

As part of our strategy to allow our Group to have an additional source of income which is recurring and to reduce our Group's dependency on our ability to continuously secure new solar PV projects, commencing from 2018, we provided our customers with the option of a variable periodic payment in addition to our fixed lump sum contracts. Our first solar PV project under this new arrangement was for a cumulative 2.7 MWp of on-grid solar PV systems and plant for 6 shopping complexes which we secured in June 2018 (with contract value of RM9.6 million) and completed in the same year. Since then, we have several additional solar PV projects under this mode of operation. Please refer to Sections 6.6.3.16 and 6.6.3.17 for further details on the completed and on-going solar PV fixed lump sum plus variable periodic payment projects. Please refer to Section 6.6.3.4(ii) for further details.

Pekat Energy Sarawak was incorporated on 8 September 2016 by Azlina Binti Zulkippli ("Azlina"), who was previously a Business Development Manager of our Group, after we had accepted her proposal to establish a company to explore new businesses in Sarawak and granted her the authorisation to use the "Pekat" name for the incorporation of Pekat Energy Sarawak. Pekat Teknologi subsequently acquired a 49.0% equity interest in Pekat Energy Sarawak at a consideration of RM0.4 million on 15 August 2018 and entered into a trademark licencing agreement allowing Pekat Energy Sarawak to use the "Pekat" name on 15 November 2018. Please refer to Section 6.16(vi) for further details. The rationale of Pekat

6. INFORMATION ON OUR GROUP (Cont'd)

Teknologi investing in Pekat Energy Sarawak is to enable the Pekat Group to tap into projects for solar PV facilities in Sarawak that relate to the Sarawak State Government. Azlina is the Director of Pekat Energy Sarawak and is involved in the day-to-day operations and business development of Pekat Energy Sarawak. As at the LPD, Azlina holds the remaining 51.0% equity interest in Pekat Energy Sarawak. In February 2018, Pekat Solar received a contract from Pekat Energy Sarawak, an associated company, for the design, supply and installation of solar PV systems under the SARES programme. Since then and up to the LPD, Pekat Solar has received 4 additional projects from Pekat Energy Sarawak for the design, supply and installation of solar PV systems under SARES programme. We have completed 4 of these projects with total installed power generating capacity of 506.0 kWp and energy storage system capacity of 3,962.0 kWh and the remaining 1 project with total installed capacity power generating of 188.0 kWp and energy storage system capacity of 1,332.0 kWh are still on-going as at the LPD. Please refer to Section 6.6.3.13(ii) for details of Pekat Energy Sarawak.

Pnexsoft was incorporated on 18 September 2018. Pekat Teknologi currently holds a 70.0% equity interest in Pnexsoft and Nexstream, a company incorporated on 9 May 2006 and is involved in the provision of web design, multimedia, computer software and hardware services, holds the remaining 30.0% equity interest. Pnexsoft has developed an energy management system application that provides integrated control of the solar PV facility's balance of system that are related to power generation and storage including inverters, energy generation and bi-directional meters, generator set and energy storage system. As at the LPD, we have deployed this energy management system application in 3 SARES solar PV project and 2 solar PV projects for hotels located on islands at Pulau Tioman, Pahang and Pulau Tengah, Johor. In addition, as at the LPD, Pnexsoft is also developing a solar PV monitoring system that is designed to monitor and analyse the performance of on-grid and off-grid solar PV facilities and plan to develop the lightning risk assessment system and ELP monitoring system. Please refer to Section 6.6.3.7 for further details of these applications. We are also developing our energy management system for rechargeable battery storage for use with solar PV facilities, as well as additional features ahead of the commercial launch of our solar PV monitoring and energy management system, which is targeted by the end of 2021.

In March 2019, Pekat Solar secured a design, supply and install contract (with contract value of RM5.8 million) for a 1.3 MWp solar PV power plant located in Butterworth, Penang under the LSS 2 programme which has been completed as at the LPD.

MFP Solar, an associated company, was incorporated on 29 August 2019 and we acquired 45.0% equity interest in the company during the same year, with MFPI holding the remaining 55.0% equity interest. On 8 January 2021, MFPI undertook an internal restructuring and transferred its entire shareholdings in MFP Solar to MFCI, a wholly-owned subsidiary of MFPI. MFPI is a wholly-owned subsidiary of Mega First Corporation Berhad, a company listed on Main Market of Bursa Securities. Mega First Corporation Berhad carries out a diversified business portfolio across various industries which primarily consists of power generation, quarrying of limestone and manufacturing of limestone products as well as manufacturing of label and packaging products. The rationale of Pekat Teknologi forming MFP Solar is to undertake solar PV investment business activities in Malaysia and overseas. The business model of MFP Solar is to invest in solar PV power plants with generating capacity between 1.0 MWp and 10.0 MWp based on a build, own, operate and transfer model. Pekat Solar has the first right-of-refusal for the design, supply and installation of solar PV facilities owned by MFP Solar. In January 2020, we received a fixed lump sum contract from MFP Solar for the design, supply and installation of an on-grid solar PV power plant with installed capacity of 1.5 MWp at the VAT Manufacturing facility in Batu Kawan, Penang (with contract value of RM3.8 million). This project was part of the PPA for MFP Solar to supply power to VAT Manufacturing, which was secured in February 2020. This was the first PPA secured by MFP Solar. As at the LPD, the design, supply and installation of the solar PV power plant has been

6. INFORMATION ON OUR GROUP (Cont'd)

completed and was commissioned in August 2020. Please refer to Section 6.6.3.14(ii) for more details on MFP Solar.

Sunway Pekat Solar, an associated company, was also incorporated on 27 June 2019, with Pekat Teknologi holding a 40.0% equity interest since its incorporation. The remaining 60.0% equity interest is owned by Sunway Engineering Sdn Bhd. Sunway Engineering Sdn Bhd is a subsidiary of Sunway Construction Sdn Bhd, which is itself a subsidiary of Sunway Construction, a company listed on Main Market of Bursa Securities. Sunway Pekat Solar is involved in the design, supply and installation of solar PV facilities on the rooftops of properties owned by the Sunway Berhad and its related companies ("Sunway group of companies"). The company will also undertake design, supply and installation where Sunway Construction is the main contractor for building and construction works. We invested in Sunway Pekat Solar to capitalise on Sunway Construction's strengths in the construction sector, including its expertise in civil and structural engineering. In addition, we may capitalise from potential opportunities derived from design, supply and installation of solar PV facilities for Sunway group of companies' properties such as hospitality, leisure, healthcare, education and retail, such as sharing in the earnings from these projects. The first few projects undertaken by Sunway Pekat Solar were for the design, supply and installation of solar PV facilities at Sunway Pyramid in Selangor and Sunway Big Box Retail Park at Nusajaya, Johor in October 2019. Please refer to Section 6.6.3.14(iii) for more details on Sunway Pekat Solar.

In August 2020, Proton entered into a PPA with Pekat Solar. Pekat Solar subsequently novated the Proton PPA (as defined below) to MFP Solar and MFP Solar has in turn engaged Pekat Solar to design, supply and install a solar PV power plant at Proton's manufacturing facility in Tanjung Malim, Perak with installed capacity of 12.1 MWp (for contract value of RM33.0 million). As at the LPD, installation for solar PV power plant at Proton's manufacturing facility has commenced, and it is expected to be completed and commissioned during the second quarter of 2021. While Pekat Solar won the tender for the PPA, its main business is to design, supply and install solar PV facilities, whereas MFP Solar's main business is to build, own and operate solar PV power plants. Hence, Pekat Solar novated the Proton PPA to MFP Solar. Kindly refer to Section 6.6.3.14(ii) for further details.

Our business locations

Pekat Teknologi commenced business operations from rented premises in Segambut, Kuala Lumpur between 1999 and 2002. We moved our business operations to rented premises at the Damansara Industrial Park, Selangor between 2002 and 2008, and then to rented premises at Sunway Damansara Industrial Park, Selangor between 2008 and 2012. We subsequently relocated to our current Cubic Space Office in 2012, where we continue to operate up to the present date.

In September 2006, we established a branch office at a rented premise in Penang to expand coverage to the Northern region of Peninsular Malaysia, including as a base for our staff to carry out solar PV facility and ELP system projects, and to expand sales and marketing activities. We subsequently established a branch office at a rented premise in Johor Bahru in December 2013 to expand our coverage to the Southern region of Peninsular Malaysia, including as a base for our staff to carry out solar PV facility and ELP system projects, and to expand sales and marketing activities.

6. INFORMATION ON OUR GROUP (Cont'd)

We currently operate at the following locations:

Locations	Functions
Cubic Space Office	Head office, warehouse, training centre and workshop
C-3-3, Block C Pusat Komersial Bayu Tasek Persiaran Southkey 1 Kota Southkey 80150 Johor Bahru Johor	Johor branch office to cover the southern region of Peninsular Malaysia
1827-F2, Jalan Perusahaan Auto City 13600 Perai Penang	Penang branch office to cover the northern region of Peninsular Malaysia

On 8 July 2020, we completed the acquisition of Elmina Land measuring approximately 137,928 sq ft. We intend to build a new head office and operational facility on the Elmina Land. Kindly refer to Section 6.19.2 for further details.

Kindly refer to Section 6.17 for the material properties of our Group.

6.1.1 Share capital

As at LPD, our share capital is RM50,630,020 comprising 506,300,200 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration RM	Cumulative share capital RM
5 April 2019	200	20	20
17 March 2021	506,300,000	50,630,000	50,630,020

6.2 OUR GROUP STRUCTURE**6.2.1 Pre-IPO changes in the shareholdings of Pekat Teknologi**

Prior to 24 June 2020, the shareholders of Pekat Teknologi were Chin Soo Mau (holding 280,520 Pekat Teknologi Shares or 51.0% equity interest), Tai Yee Chee and Wee Chek Aik (each holding 134,750 Pekat Teknologi Shares or 24.5% equity interest).

On 24 June 2020, Chin Soo Mau, Tai Yee Chee and Wee Chek Aik entered into a share sale agreement to dispose a total of 137,505 Pekat Teknologi Shares, representing 25.0% equity interest in Pekat Teknologi to Hextar for a disposal consideration of RM50.0 million. The disposal consideration represents a PE ratio of 13.4 times based on the PAT of the Pekat Teknologi for the FYE 2019 of approximately RM14.9 million. Hextar had acquired 25.0% equity interest in Pekat Teknologi as part of its plan to diversify into renewable energy related business.

6. INFORMATION ON OUR GROUP (Cont'd)

The resulting shareholdings in Pekat Teknologi are as follows:

Shareholders	No. of Pekat Teknologi Shares	%
Chin Soo Mau	258,519	47.0
Tai Yee Chee	83,048	15.1
Wee Chek Aik	70,948	12.9
Hextar	137,505	25.0
	550,020	100.0

6.2.2 Acquisition of Pekat Teknologi

In preparation for our Listing, we have undertaken the Acquisition of Pekat Teknologi. On 11 September 2020, we entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in Pekat Teknologi comprising 550,020 ordinary shares for a total purchase consideration of RM50,630,000.

The total purchase consideration of RM50,630,000 for the Acquisition of Pekat Teknologi was arrived at after taking into consideration the following:

- (i) The audited NA of Pekat Teknologi as at 31 December 2019 of RM50,742,212; and
- (ii) The disposals of 4 subsidiaries/associated companies, where our Group recorded total loss on disposal of RM112,001. The disposals were made as these companies were inactive. Details of the disposals are set out in Section 11.2.11(i).

The purchase consideration for the Acquisition of Pekat Teknologi was satisfied by the issuance of 506,300,000 new Shares to the Vendors at an issue price of RM0.10 each.

The details of the Vendors and the number of Shares issued to them pursuant to the Acquisition of Pekat Teknologi are as follows:

Vendors	No. of Pekat Teknologi shares acquired	% of share capital in Pekat Teknologi	Purchase consideration RM	No. of Shares issued
Chin Soo Mau	258,519	47.0	23,796,100	237,961,000
Tai Yee Chee	83,048	15.1	7,645,130	76,451,300
Wee Chek Aik	70,948	12.9	6,531,270	65,312,700
Hextar	137,505	25.0	12,657,500	126,575,000
	550,020	100.0	50,630,000	506,300,000

The Acquisition of Pekat Teknologi was completed on 17 March 2021. Thereafter, Pekat Teknologi became our wholly-owned subsidiary.

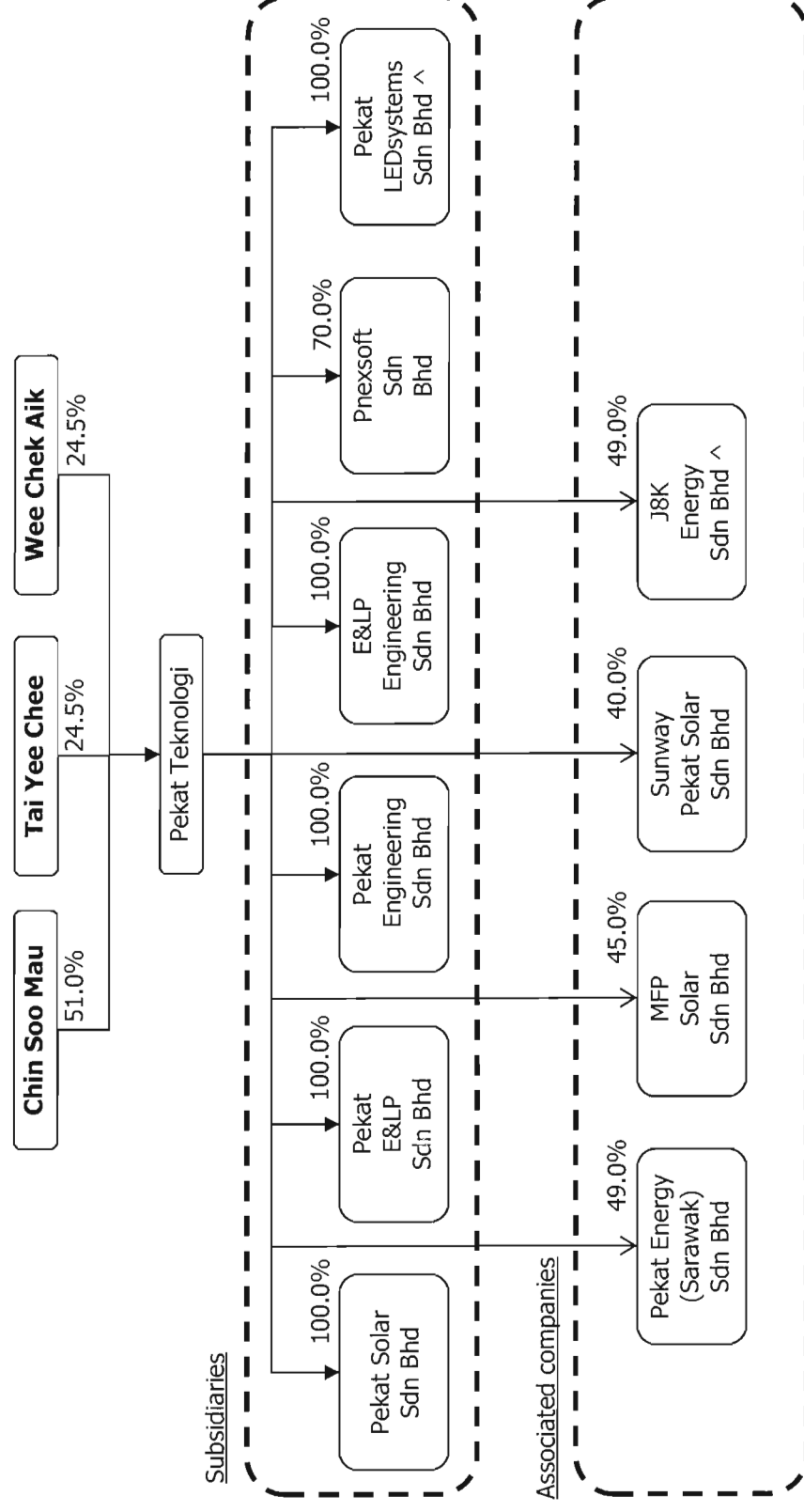
The new Shares issued pursuant to the Acquisition of Pekat Teknologi rank equally in all respects with our existing Shares.

6. INFORMATION ON OUR GROUP (Cont'd)

6.2.3 Our Group structure

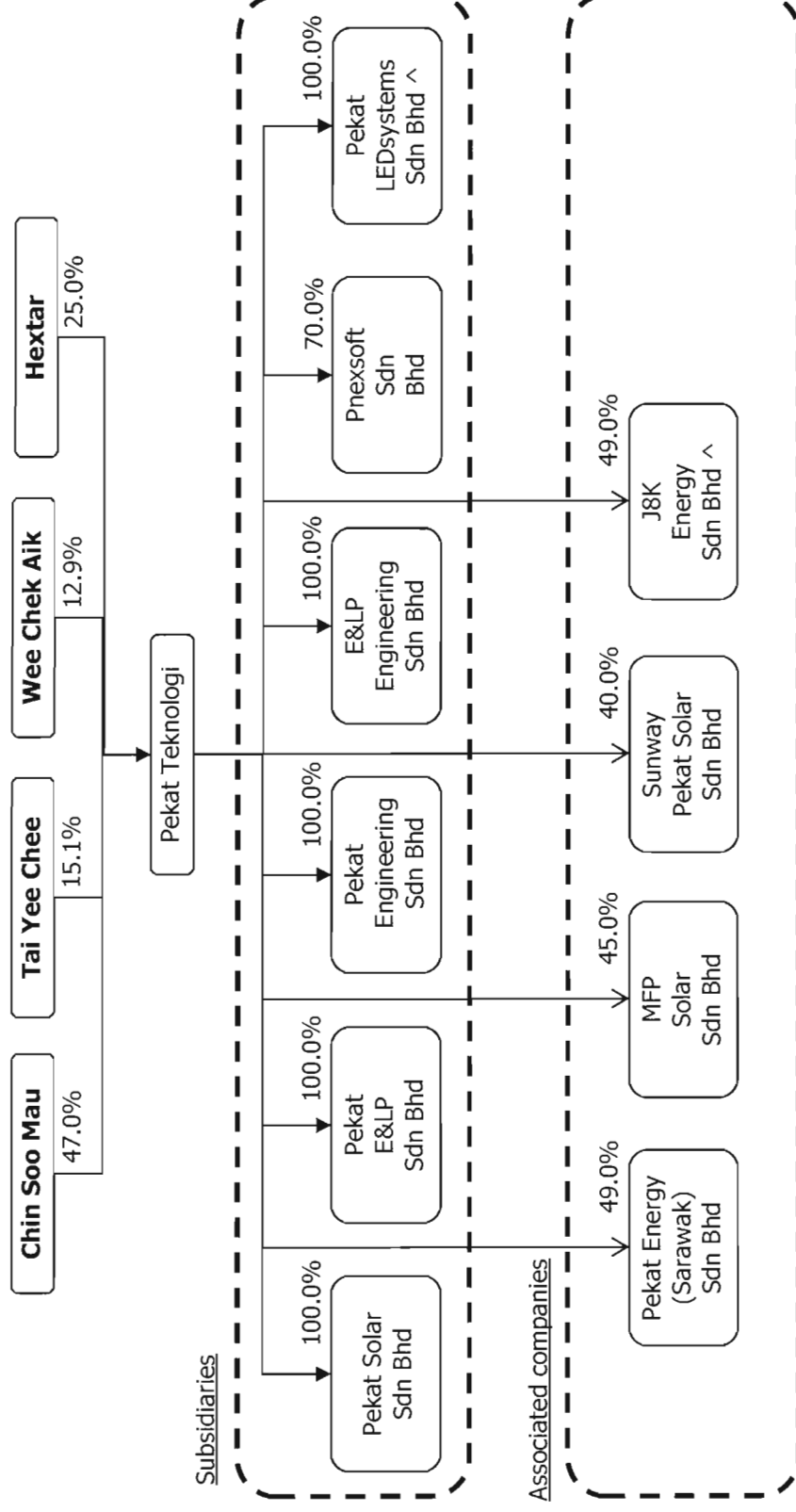
Our Group structure resulting from the pre-IPO restructuring and the Listing is set out below:

(i) Before the pre-IPO changes in the shareholdings of Pekat Teknologi



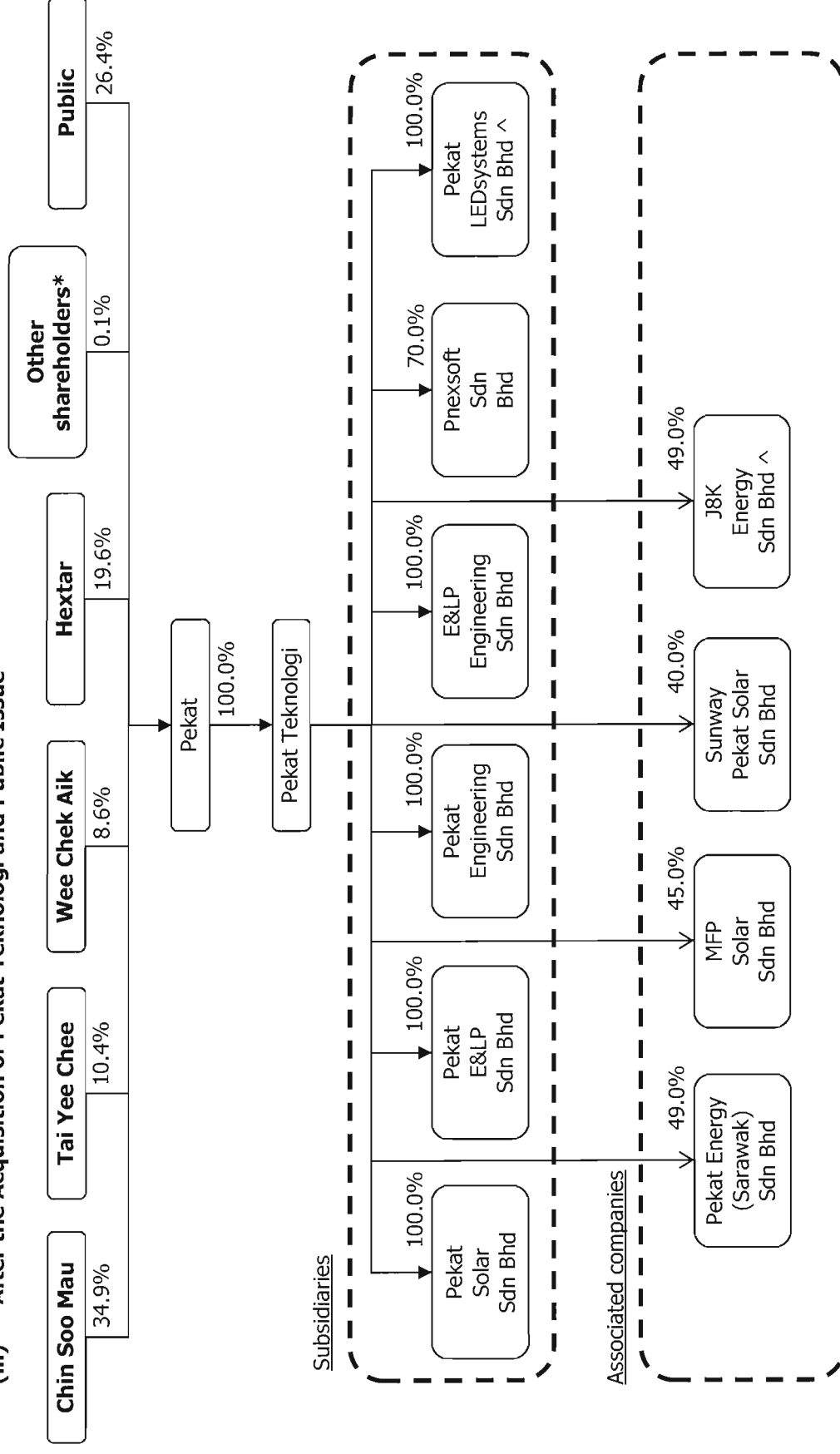
6. INFORMATION ON OUR GROUP (Cont'd)

(ii) After the pre-IPO changes in the shareholdings of Pekat Teknologi



6. INFORMATION ON OUR GROUP (Cont'd)

(iii) After the Acquisition of Pekat Teknologi and Public Issue



6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

* Comprising shareholdings of our Independent Non-Executive Chairman, Kok Kong Chin, Non-Independent Non-Executive Director, Teh Li King and Independent Non-Executive Directors, namely, Ong Keng Siew, Yeong Siew Lee and Datin Shelina Binti Razaly Wah, assuming that our Directors will fully subscribe for their respective entitlements under the Pink Form Allocations.

^ Dormant.

6.3 SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, Pekat Teknologi is our wholly-owned subsidiary. Under Pekat Teknologi, we have 6 subsidiaries and 4 associated companies.

6.3.1 Subsidiaries

Company	Registration No. (Company No.)	Date / Place of incorporation	Principal of place of business	Effective of equity interest %	Principal activities
Pekat Teknologi	199901015679 (490579-A)	5 August 1999 / Malaysia	Malaysia	100%	Investment holding of companies involved in design, supply and installation of solar PV systems and power plants, supply and installation of ELP systems as well as distribution of electrical products and accessories

Subsidiaries of Pekat Teknologi

Pekat Solar	201001038864 (922788-W)	22 November 2010 / Malaysia	Malaysia	100.0	Design, supply and installation of solar PV systems and power plants and related services
Pekat E&LP	201001038875 (922799-H)	22 November 2010 / Malaysia	Malaysia	100.0	Supply and installation of ELP systems
Pekat Engineering	201001038837 (922761-K)	22 November 2010 / Malaysia	Malaysia	100.0	Distribution of electrical products and accessories
E&LP Engineering	200701023462 (781479-U)	19 July 2007 / Malaysia	Malaysia	100.0	Distribution of electrical products and accessories
Pnexsoft	201801033283 (1295310-T)	18 September 2018 / Malaysia	Malaysia	70.0 ⁽¹⁾	Development and distribution of software applications
Pekat LEDSystems	200601000779 (720526-P)	11 January 2006 / Malaysia	Malaysia	100.0	Dormant ⁽²⁾

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- (1) The remaining equity interest is held by Nexstream.
- (2) Pekat LEDSystems was originally incorporated to supply and distribute LED street lighting. However, this plan has been aborted and the company is presently dormant. At this juncture, we have no plans to supply and distribute LED street lighting.

6.3.2 Associated companies

Company	Registration No. (Company No.)	Date / Place of incorporation	Principal of place business	Effective of equity interest %	Principal activities
<u>Associated companies of Pekat Teknologi</u>					
Pekat Energy Sarawak	201601030269 (1201210-V)	8 September 2016 / Malaysia	Malaysia	49.0 ⁽¹⁾	Design, supply and installation of solar PV systems and power plants in Sarawak
MFP Solar	201901031134 (1340464-D)	29 August 2019 / Malaysia	Malaysia	45.0 ⁽²⁾	Build, own and operate solar PV power plants
Sunway Solar	Pekat 201901022491 (1331820-M)	27 June 2019 / Malaysia	Malaysia	40.0 ⁽³⁾	Design, supply and installation of solar PV systems and power plants for Sunway group of companies
J8K Energy	201901019545 (1328874-W)	31 May 2019 / Malaysia	Malaysia	49.0 ⁽⁴⁾	Dormant ⁽⁵⁾

Notes:

- (1) The remaining equity interest is held by Azlina Binti Zulkipli.
- (2) The remaining equity interest is held by MFCI.
- (3) The remaining equity interest is held by Sunway Engineering Sdn Bhd.
- (4) The remaining equity interest is held by Jawala Corporation Sdn Bhd. Jawala Corporation Sdn Bhd is principally engaged in trading, engineering procurements, counter trade (trading via exchange of goods) and investment holding.
- (5) J8K Energy was originally incorporated to build, own and operate solar PV systems in Sabah. As at the LPD, it has not submitted any bids for any projects and has yet to commence any business activity.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.4 MATERIAL INVESTMENTS AND DIVESTITURES**

Save as disclosed below, there were no other material investment made by us for the past 4 FYEs 2017 to 2020 and up to the LPD:

Description	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	Up to the LPD RM'000
Property, plant and equipment comprising:					
Freehold land ⁽¹⁾	-	-	-	17,822	-
Leasehold building ⁽²⁾	-	160	-	-	-
Office buildings (rental commitment) ⁽³⁾	830	-	287	-	-
Furniture, fittings and office equipment ⁽⁴⁾	118	224	469	352	131
Motor vehicles ⁽⁵⁾	488	612	107	77	-
Solar system ⁽⁶⁾	-	-	132	-	-
Renovation works ⁽⁴⁾	109	-	331	24	-
Plant and machinery ⁽⁷⁾	-	-	-	250	-
Capital work-in-progress ⁽⁸⁾	-	-	-	-	71
	1,545	996	1,326	18,525	202

Notes:

(1) For the acquisition of Elmina Land in 2020.

(2) For the acquisition of an office unit in Klang, Selangor for investment purposes during FYE 2018. The office unit is currently leased to an unrelated party for rental income.

(3) Rental commitment is recorded resulting from the application on the MFRS 16 – Leases for tenancy agreements entered into by our Group for tenure of more than 1 year as follows:

(i) In FYE 2017, we recorded rental commitments for the rental of Cubic Space Office (RM0.7 million) and our branch office in Johor Bahru (RM0.1 million); and

(ii) In FYE 2019, we recorded rental commitments for the rental of staff hostel (RM0.1 million) and our branch office in Penang (RM0.2 million).

(4) Furniture, fittings and office equipment purchased for our head office and branch offices as well as renovation works done at the Cubic Space Office.

(5) Purchase of 1 unit of motorcycle, 1 unit of passenger car and 1 unit of pick-up truck for our operations in FYE 2017, 4 units of passenger cars and 3 units of pick-up trucks for our operations in FYE 2018, 1 unit of forklift for our operations in FYE 2019 and 1 unit of passenger car in FYE 2020.

(6) Investments in a solar PV system (under the NEM programme) with an installed capacity of 44.2 kWp located in Pulau Tioman, Pahang during FYE 2019. The purpose of this project is for the testing of our energy management system application as set out in Section 6.6.3.7. This project has commenced operations on 1 October 2019. In

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2019, the Group recorded revenue of RM2,462 from the energy generated from the solar PV systems installed.

- (7) Purchase of 1 unit of roll forming machine for our operations in FYE 2020. We utilise the roll forming machine to form support structures for installation of solar PV panels. Prior to this, we purchase ready-made support structure from third party manufacturers.
- (8) Preliminary costs incurred in relation to the construction of our new head office and operational facility on Elmina Land, which includes payments to architect and consultants; and application fees for planning permission and building plan.

The above material investments were primarily financed by a combination of term loans, lease liabilities and internally generated funds.

Save as disclosed below, there were no other material capital divestitures and write-offs (including interest in other corporations) made by our Group for the past 4 FYEs 2017 to 2020 and up to the LPD:

Description	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	Up to the LPD RM'000
Property, plant and equipment comprising:					
Furniture, fittings and office equipment	-	27	114	⁽²⁾ 595	-
Motor vehicles ⁽¹⁾	2,399	242	-	77	-
Office buildings (rental commitment)	-	-	-	⁽³⁾ 853	-
	2,399	269	114	1,525	-

Notes:

- (1) The disposal of:
- (i) FYE 2017 - 6 units of passenger cars to Directors and an employee in FYE 2017. Kindly refer to Section 9.1 for further details on the disposal of motor vehicles to Directors.
- (ii) FYE 2018 - 2 units of passenger cars to non-related parties.
- (iii) FYE 2020 - 1 unit of passenger car to non-related party.
- (2) Write off of furniture, fittings and office equipment amounting to RM0.6 million (at cost) that were obsolete and no longer in use. The NBV for these items was RM3,585 as at 31 December 2020.
- (3) De-recognition of rental commitments as we had revised the tenancy agreement for the Cubic Space Office to tenure of 1 year. As such, the revised tenancy agreement falls under the exemption of MFRS 16 – Leases and no rental commitments shall be recorded.

Kindly refer to Section 11.6.1 for details of our material capital commitments as at the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

6.5 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there were:

- (i) No public take-over offers by third parties in respect of our Shares; and
- (ii) No public take-over offers by our Company in respect of other companies' shares.

As at LPD, we have not identified any other companies' shares for acquisition.

6.6 DESCRIPTION OF OUR BUSINESS

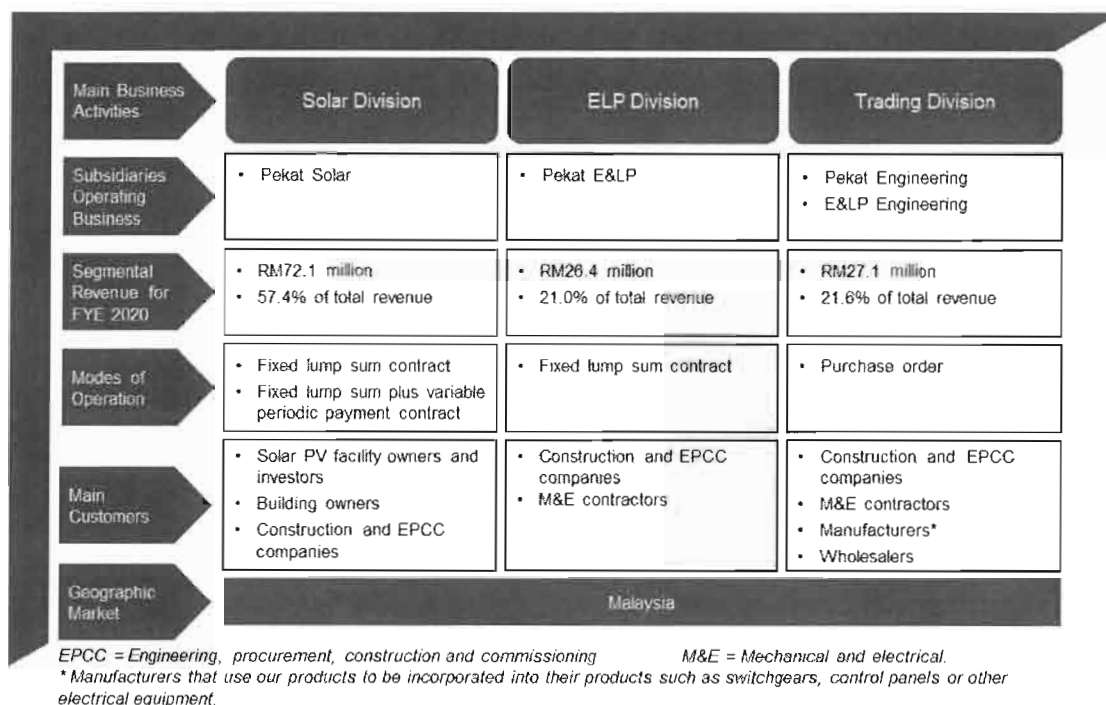
We operate in 3 distinct business areas, namely:

- | | | |
|-------|-------------------------|---|
| (i) | Solar Division | <p>Design, supply and installation of solar PV systems and power plants</p> <p>We carry out the design, supply and installation of on-grid and off-grid solar PV systems and power plants, where we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so) and delivering them to our customers. We engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. Solar PV systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.</p> |
| (ii) | ELP Division | <p>Supply and installation of ELP systems</p> <p>Our supply and installation of ELP systems for buildings, facilities and structures are to protect people, property and equipment from unintended electric current. We are engaged as a specialist subcontractor for ELP systems by main contractors or M&E contractors.</p> |
| (iii) | Trading Division | <p>Distribution of electrical products and accessories</p> <p>The distribution of electrical products and accessories involve the sales and marketing of our own brands and third party brands of electrical products and accessories, namely ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.</p> |

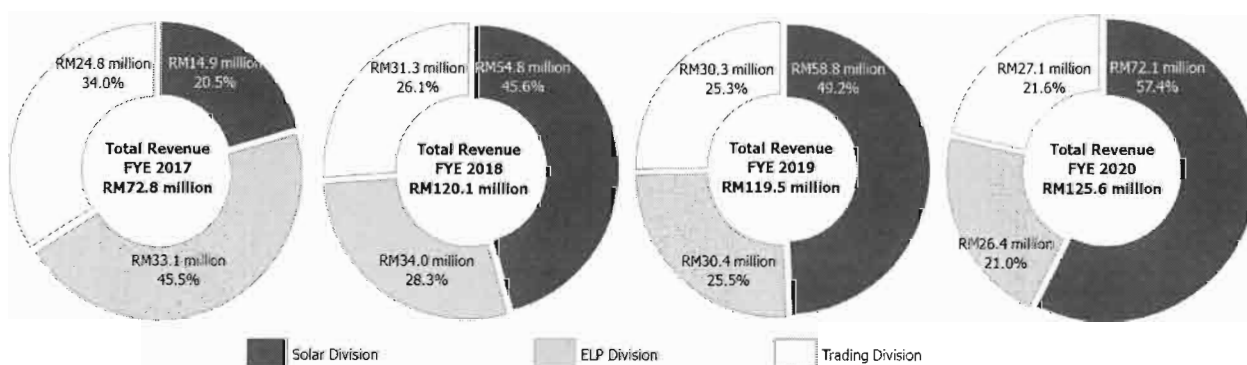
6. INFORMATION ON OUR GROUP (Cont'd)

6.6.1 Our business model

Our business model is depicted in the following diagram:



For the past FYEs, our revenue segmentation by business activities is as follows:



6.6.2 Geographic market

For the past FYEs, all our revenues were derived from Peninsular and East Malaysia.

6.6.3 Solar Division

6.6.3.1 Overview

We are involved in the design, supply and installation of solar PV systems and power plants (solar PV facilities) through our wholly-owned subsidiary, Pekat Solar. Solar PV facilities are designed to generate electricity by using solar PV modules which convert sunlight directly into electricity. Solar PV systems are power generating facilities with installed generating capacity of less than 1.0 MWp while solar PV power plants have an installed generating capacity of 1.0 MWp or more.

6. INFORMATION ON OUR GROUP (Cont'd)

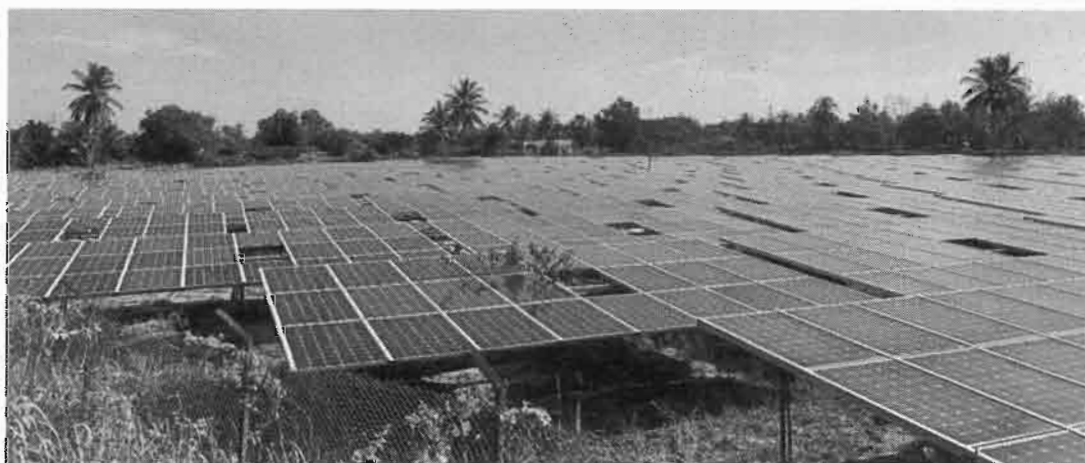
The typical project implementation period for solar PV facilities, from securing the contract to project handover and completion, varies depending on the installed capacity of the project. Solar PV systems (installed capacity of less than 1.0 MWp) typically require between 3 to 4 months to implement, while solar PV power plants (installed capacity of 1.0 MWp or more, except for projects under the LSS programme) typically require between 3 to 9 months to complete. Solar PV power plants for projects under the LSS programme typically require between 12 to 18 months to complete.

Our solar PV facilities are either rooftop mounted on buildings, structures and facilities, or ground mounted. We also carry out maintenance services for some of the solar PV facilities that we construct and other solar PV facilities. We utilise third-party and our own brands of electrical products and accessories in the solar PV facilities that we design, supply and install, with the choice between the two depending on customer's requirements.

For the past FYEs and up to the LPD, we are involved in the design, supply and installation services for of solar PV systems and power plants for the following customer categories:

- Commercial buildings and facilities, such as shopping complexes, office buildings and hotels;
- Industrial buildings, such as factories;
- Residential for home owners; and
- Others, such as community buildings including schools and places of worship as well as solar farms.

A ground mounted solar PV power plant that we designed, supplied and installed at Tok Bali, Pasir Puteh, Kelantan



6. INFORMATION ON OUR GROUP (Cont'd)

A solar PV power plant that we designed, supplied and installed on the rooftop of an industrial facility in Shah Alam, Selangor



A solar PV power plant that we designed, supplied and installed at a manufacturing facility in Tanjung Malim, Perak



6.6.3.2 Our position within the solar PV industry

In accordance to the SEDA, operators within the solar PV industry fall within 2 main categories, namely:

- solar PV facility owner and/or investor; and/or
- solar PV service provider.

Pekat Solar is registered as a service provider with SEDA. Through Pekat Solar, we are the main contractor for all our solar PV projects with the exception of the projects secured from 2 customers where we were the subcontractor to the main contractor for the design, supply and installation of solar PV facilities. Please refer to Section 6.6.3.5 for more details.

6. INFORMATION ON OUR GROUP (Cont'd)

Our associated company, MFP Solar, which we have 45.0% equity interest, is a solar PV facility owner. We also carry out design, supply and installation projects as a main contractor for MFP Solar.

The main contractor is also referred as the engineering, procurement, construction and commission (EPCC) contractor.

In general, our scope of work as the main contractor, EPCC contractor or subcontractor for solar PV facilities are similar, as we are responsible for carrying out the design, supply and installation of the solar PV facilities.

6.6.3.3 Project types

Solar PV systems and power plants

For the past FYEs, our revenue segmentation by solar PV systems and power plants and maintenance services is as follows:



On-grid and off-grid

For the past FYEs, through Pekat Solar, we have undertaken the design, supply and installation for the following types of solar PV facilities:

- (i) **On-grid**, where the solar PV facilities are connected to the power grid. Users of on-grid facilities are able to tap on the power grid during periods when the solar PV facilities are generating very low or no power. A large number of our rooftop mounted solar PV facilities are on-grid facilities for self-consumption and in some cases the excess power is exported to the power grid. We have also completed ground mounted on-grid solar PV facilities, including solar PV power plant to supply power to the power grid. The power grid is the power transmission and distribution network that covers large areas to connect power generation to end users' premises.

We have carried out the design, supply and installation of on-grid solar PV systems for use in residential, commercial, community and industrial properties, infrastructure such as highways and solar PV power plants for export to the power grid.

- (ii) **Off-grid**, where the solar PV facilities are not connected to the power grid and generate electricity solely for use in and around the facility where they are installed. These systems may have energy storage systems (such as battery packs) and/or power generation sources such as a fuel-based generator set to supply power during periods of low or no sunlight. Solar PV facilities that has alternative power generation source are also referred to as hybrid solar PV facilities. We have carried out the design, supply and installation of off-grid solar PV systems for households and hotels in remote locations

6. INFORMATION ON OUR GROUP (Cont'd)

that do not have access to the power grid. We have completed ground mounted off-grid solar PV systems, for example for the SARES programme and roof mounted solar PV systems, for example for hotels located on islands at Pulau Tioman, Pahang and Pulau Tengah, Johor.

Solar PV programmes

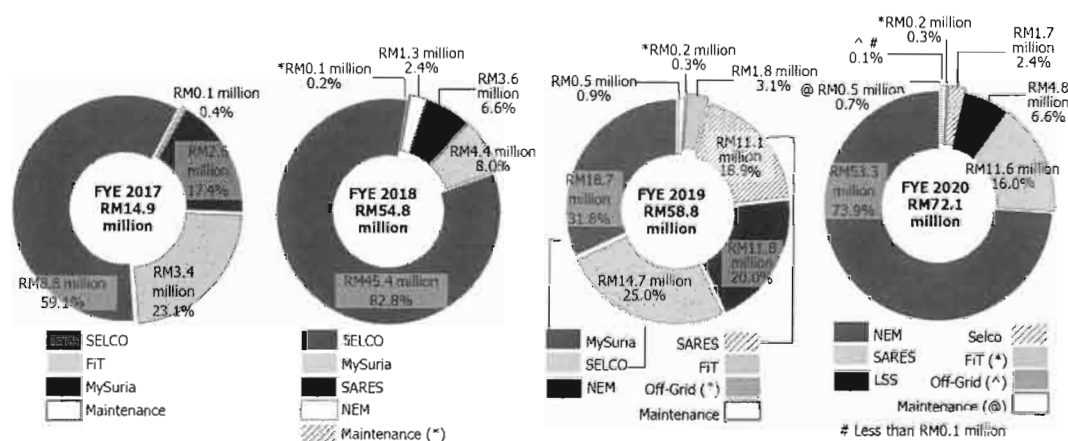
Our solar PV facilities are implemented under various government programmes including Feed-in Tariff (FIT), Net Energy Metering (NEM) and Large Scale Solar (LSS) programmes, which are initiated by the SEDA and the Energy Commission of Malaysia, as well as Sarawak Alternative Rural Electrification Scheme (SARES) programme initiated by the Sarawak Government and MySuria programme initiated by the Ministry of Energy, Green Technology and Water. In addition, we also design, supply and install solar PV facilities used to generate power for self-consumption (SELCO) by solar PV facility owners.

- (a) The FIT programme was first implemented in 2011 and since 2017 there has been no new quota allocated for solar PV facilities under this programme, except for 5.0 MWp under the community category. The FIT programme obliges distribution licencees, including TNB and Sabah Electricity Sdn Bhd to buy electricity generated from renewable resources produced by Feed-in-Approval Holders at a pre-determined rate for a specific duration.
- (b) The NEM programme was introduced in November 2016 to replace the FIT programme for solar PV facilities. The NEM programme allows the solar PV facility owner to generate power for self-consumption and export any excess power to the grid. On 1 January 2019, the NEM programme was enhanced ("NEM 2.0") to offer a 1-on-1 offset basis by off-setting every 1 kWh exported with 1 kWh consumed from the grid. The quota under the NEM 2.0 has been fully subscribed by 31 December 2020. On 29 December 2020, the new NEM 3.0 programme ("NEM 3.0") is introduced and the total quota allocation is up to 500 MW.
- (c) The SARES programme is an electrification programme to provide power to locations that are not feasible to be connected to the power grid. This includes developing standalone solar PV facilities or micro hydropower. This is to accelerate electricity coverage to 5,000 remote villages in Sarawak. We have secured 5 projects for the design, supply and installation of solar PV systems under the SARES programme as of the LPD, of which 4 have been completed and 1 is still on-going.
- (d) The MySuria programme aims to help qualified low income households to generate additional income by exporting solar PV power generated on their premises to the power grid. The programme was first implemented in 2017 and currently registration is closed. We secured 1 project under the MySuria programme for the design, supply and installation of solar PV systems for 1,620 houses across Malaysia, with a minimum of 3.0 kWp installed per house and we have completed installations at 332 houses before the programme was discontinued at the end of 2018. We will not be installing solar PV systems for the remaining houses.
- (e) The LSS programme is for utility scale grid-connected systems for power generation to be exported to the power grid. The LSS programme is based on competitive bidding and the companies that are awarded are responsible for building, operating and maintaining the plant. The entity awarded with LSS will sign a 21-year PPA with TNB or Sabah Electricity Sdn Bhd. For the past FYEs and up to the LPD, we have secured a contract for the design, supply and installation of a 1.3 MWp solar PV power plant in Butterworth, Penang under the LSS 2 programme, which has been completed as at the LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

- (f) Under SELCO, residential, commercial and industrial power consumers can hedge against the rising cost of electricity through the installation of solar PV facilities to generate electricity solely for their own usage. Any excess electricity generated under SELCO is not allowed to be exported to the power grid.

For the past FYEs, our revenue segmentation by solar PV programmes is as follows:

**Cumulative installed capacity**

The table below shows the capacities of design, supply and installation of solar PV facilities that we completed since the beginning of our operations in this business activity from FYE 2010 and up to the LPD:

	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015
	kWp	kWp	kWp	kWp	kWp	kWp
Industrial	20	-	-	1,108	1,295	2,395
Commercial	143	231	203	658	331	1,312
Residential	55	-	292	602	796	434
Others ⁽¹⁾	-	-	10	48	20	48
Total	218	231	505	2,416	2,442	4,189
Cumulative	218	449	954	3,370	5,812	10,001

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	1 Jan 2021 up to LPD	Total
	kWp	kWp	kWp	kWp	kWp	kWp	kWp
Industrial	1,425	1,691	5,662	11,232	11,497	5,398	41,723
Commercial	1,359	1,451	4,217	6,808	211	342	17,266
Residential	964	763	1,074	351	135	226	5,692
Others ⁽¹⁾	48	75	302	732	392	-	1,675
Total	3,796	3,980	11,255	19,123	12,235	5,966	66,356
Cumulative	13,797	17,777	29,032	48,155	60,390	66,356	

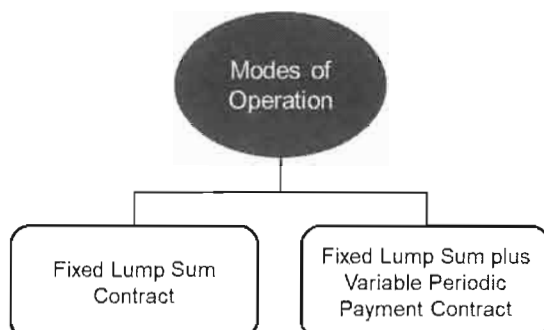
Note:

- (1) Others include community buildings and solar farms.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.3.4 Modes of operations

We adopt 2 modes of operations for our Solar Division as follows:



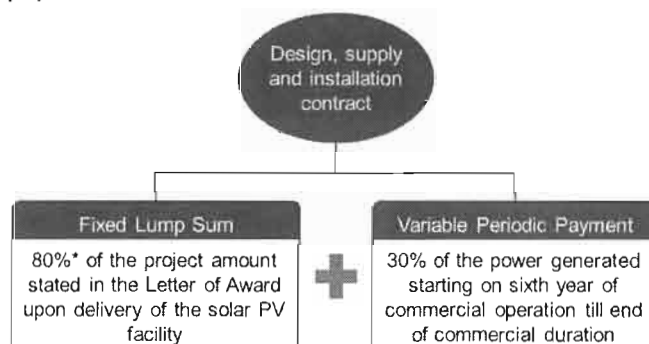
(i) Fixed lump sum contract

This mode of operation is based on fixed lump sum contract. The contract will specify the scope of work and deliverables, timeline for delivery and schedule of payment, as well as a fixed price for the contract. Our customer will pay us the fixed price of the contract subject to any variance orders or claims against liquidated ascertained damages.

Upon the acceptance of handover by the customer and the issuance of the testing and commissioning form, Certificate of Practical Completion, practical acceptance certificate, or project completion letter (as described in Section 6.6.3.15(vi)), half of the retention sum is released to us. Upon the expiration of the defect liability period, commonly ranging between 12 months and 24 months, the remaining half of the retention sum is then released to us, subject to the issuance of a certificate of making good defects. There is no retention sum for our design, supply and installation of solar PV facilities for residential property projects. We are not entitled to any other payments for our fixed lump sum contract. Fixed lump sum contracts are our most common mode of operation for the design, supply and installation of solar PV facilities.

(ii) Fixed lump sum plus variable periodic payment contract

Another mode of operation for the Solar Division is based on fixed lump sum plus variable periodic payment contract. The contract will clearly specify the scope of work, deliverables, timeline for delivery and schedule of payments. Maintenance is also included in the contract for the full commercial duration which is commonly 25 years from date of commercial operation. We will bear the cost of the maintenance during this period, and we will recover the cost of maintenance through the variable periodic payments.



Note: * The remaining 20% of the project amount is waived.

6. INFORMATION ON OUR GROUP (Cont'd)

The contract has 2 payment components as follows:

- **Fixed lump sum:** The contract will specify the scope of work and deliverables, timeline for delivery and schedule of payment, as well as the contract sum. The fixed lump sum payable to us for the delivery of the completed solar PV facility is equivalent to 80.0% of the contract sum stated in the Letter of Award. The remaining 20.0% of the contract sum is waived. Our customer will pay us the fixed lump sum subject to any variance orders or claims against liquidated ascertained damages.
- **Variable periodic payment:** We are also paid a variable periodic payment based on the power generated by the installed solar PV facility. The variable periodic payment payable to us is 30.0% of the cost saving to the customer from using power generated by the solar PV facility instead of purchasing power from a utility company such as TNB. The cost saving is based on the power generated by the solar PV facility and the appropriate prevailing published tariff rate by the utility company. The variable payment is paid monthly starting from the 6th year from the date of commercial operation and terminates at the end of the commercial duration. The date of commercial operation is from the date of issuance of the project completion letter by the customer. Commercial duration is from the date of commercial operation till the end of the contract.

The benefits of the fixed lump sum plus variable periodic payment contract to the customers as compared to the fixed lump sum contract is that customers obtain their solar PV facilities at a lower up-front cost as 20.0% of the contract sum is waived.

An example of the calculation of the variable periodic payment attributable to Pekat Group is as follows:

Power generated in Month 1	Prevailing TNB Tariff	Cost savings to customer of power generated in Month 1 ⁽¹⁾	30% attributable to Pekat Group in Month 1 ⁽²⁾
kWh	RM/kWh	RM	RM
300,000	0.355	106,500	31,950

Notes:

⁽¹⁾ Cost savings to the customer from using power generated by the solar PV facility instead of purchasing power from a utility company such as TNB. It is calculated by multiplying the power generated against the prevailing TNB Tariff as follows:

$$300,000 \text{ kWh} \times \text{RM}0.355/\text{kWh}$$

⁽²⁾ $\text{RM}106,500 \times 30\%$. The variable payment is paid monthly starting from the 6th year from the date of commercial operation, and terminates at the end of the commercial duration, which is at the end of the 25th year from the date of commercial operation.

The main rationale for this mode of operation is to reduce the upfront capital cost of the solar PV facility to make it more financially attractive to our customers. At the same time, the variable periodic payments allow us to recover the initial 20.0% of the contract sum that is waived, plus the cost of maintenance throughout the commercial duration period (we will bear the cost of maintenance during this period), as well as recurring

6. INFORMATION ON OUR GROUP (Cont'd)

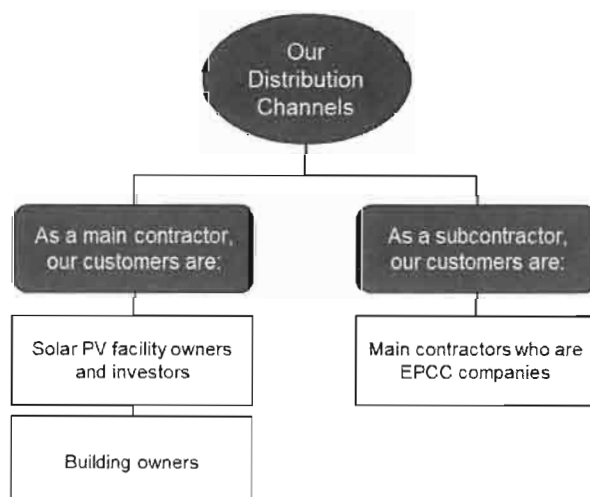
income over 20 years from this arrangement. The operations and maintenance contract under this mode of operation is from year 1 to year 25 from the commencement of commercial duration. The final mode of operation is dependent on our customers' decisions after taking into consideration whether they wish to reduce the upfront capital cost of the solar PV facility.

In general, prospective customers for all types of solar PV projects with installed capacity of more than 1 MWp have the option to select between the fixed lump sum plus variable periodic payments contract mode of operation, or the fixed lump sum contract mode of operation, based on negotiations with the prospective customer. The introduction of this mode of operation allows our Group to have an additional source of income which is recurring and reduces our Group's dependency on our ability to continuously secure new solar PV projects.

As at the LPD, we have 6 such fixed lump sum plus variable periodic payment contracts with total installed capacity of 12.5 MWp as follows:

	Type of Building	Commencement of Commercial Duration	Expiry of Commercial Duration
Pacific Trustees Bhd	Commercial	December 2018	December 2043
Metrod (Malaysia) Sdn Bhd	Industrial	December 2018	December 2043
MetTube Sdn Bhd	Industrial	February 2019	February 2044
Teh Ah Yau Rubber Factory Sdn Bhd	Industrial	May 2020	May 2045
Yeo Aik Wood Sdn Bhd	Industrial	March 2021	March 2046
Digital Furniture Sdn Bhd	Industrial	-	-

The commercial operations of 5 of these contracts have commenced as at the LPD. The commercial duration with Digital Furniture Sdn Bhd has not commenced as the installation of the respective solar PV power plants has not been completed.

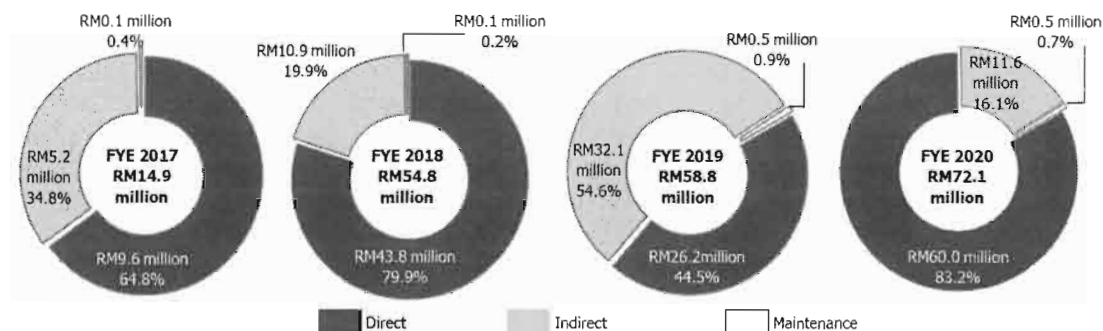
6.6.3.5 Distribution channels and main customers

6. INFORMATION ON OUR GROUP (Cont'd)

We adopt **direct** distribution channel where we secure contracts with owners and investors of the solar PV facilities and building owners. In such situations, we are the **main contractor** where we carry out the design, supply and installation of the solar PV facilities.

We also utilise **indirect** distribution channel where we act as the **subcontractor** to main contractors who are EPCC companies. Although we are subcontractor to the main contractor, we carry out the full scope of work of design, supply and installation of the solar PV facilities.

For the past 4 FYEs, our revenue segmentation by direct and indirect distribution channels is as follows:



For the past FYEs and up to the LPD, we were the main contractor for the design, supply and installation of all our projects, with the exception of the projects secured from the following customers where we acted as the subcontractor:

- Bekal Hikmat; and
- Pekat Energy Sarawak.

Pekat Energy Sarawak is our associated company.

Please refer to Section 6.6.3.13 for additional information relating to the customers who have engaged us as subcontractor.

6.6.3.6 Maintenance services

We provide maintenance and repair services to some of the solar PV facilities that we designed, supplied and installed. The maintenance services that we provide include the following:

- routine maintenance comprising checking and inspecting the solar PV modules and balance of system on a scheduled basis;
- cleaning the surface of the solar PV modules to remove dust and other deposits on a scheduled basis to optimise the power generated by the solar PV modules; and
- repair services as required to repair equipment failure and breakdown, as and when they occur.

Revenue from providing maintenance services constitute a small percentage of our Group's revenue, amounting to less than 1.0% of our total revenue for the past FYEs.

6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, we provide maintenance services under 3 types of arrangement as follows:

(i) Maintenance services as part of the design, supply and installation contract

Some of our contracts for the design, supply and installation of solar PV systems include the provision of maintenance services after expiration of the defect liability period. In these contracts the cost of maintenance is included as part of the design, supply and install contract value.

For fixed lump sum plus variable periodic payment contract cost of maintenance throughout the commercial duration (i.e. year 1 to 25) is to be born entirely by Pekat and is included as part of the contract.

(ii) Entering into maintenance contract

We enter into maintenance contracts for some of the solar PV facilities that we designed, supplied and installed. The maintenance contract commences after the defect liability period and may be renewed upon expiration of the maintenance contract.

(iii) Repair services as required

In instances where our customers do not have maintenance contracts with us, they may engage us to carry out ad-hoc repairs for their solar PV facilities as and when faults occur.

6.6.3.7 Monitoring applications for solar PV facilities

Pnexsoft, a subsidiary company in which we have a 70.0% equity interest, has developed an energy management system application which applies a smart algorithm that provides integrated control of the solar PV facility's balance of system that are related to power generation and storage, including inverters, energy generation and bi-directional meters, generator set and energy storage system.

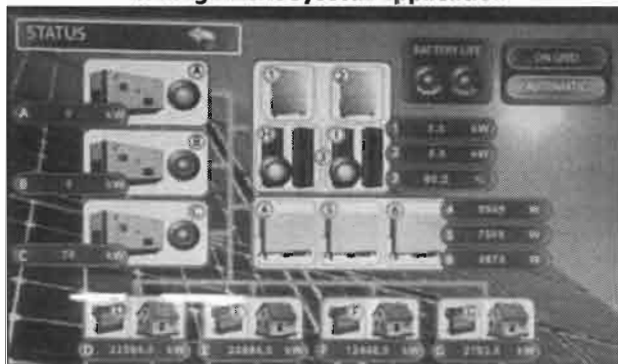
The system comprises integrated software and hardware that is installed as part of the solar PV facility. The system is designed to optimise the performance of these components so as to improve energy efficiency. In addition, for solar PV systems that incorporate energy storage systems, it is designed to prevent over-charging and over-discharge, which can damage the battery pack.

As at the LPD, we have deployed this energy management system application in 3 SARES solar PV system and 2 solar PV projects for hotels located on islands at Pulau Tioman, Pahang and Pulau Tengah, Johor. Currently, our energy management system application is packaged together with some of our design, supply and installation of solar PV facilities. As at the LPD, we have not provided the application on a stand-alone basis. As at the LPD, Pnexsoft is also developing a solar PV monitoring system that is designed to monitor and analyse the performance of on-grid and off-grid solar PV facilities and plan to develop the lightning risk assessment system and ELP monitoring system.

In the future we intend to provide our energy management system to customers on a stand-alone basis and/or integrate this system with the solar PV monitoring system, lightning risk assessment system application and ELP monitoring system that we are developing or plan to develop. Kindly refer to Section 6.19.3 for further details.

6. INFORMATION ON OUR GROUP (Cont'd)

A control panel screen from our energy management system application



Our energy management system installed as part of a solar PV facility



6.6.3.8 Defect liability period

We provide a defect liability period for solar PV facilities from the date of acceptance of handover (as described in Section 6.6.3.15(vi)). The defect liability period is stipulated in the respective customer's contract and is usually for a period of 12 months or 24 months, although for some customers it is for a period of 60 months or 120 months. We are responsible for making good any defects or faults that may occur during the defect liability period.

Some of the solar PV facility components are covered against manufacturing defects by their respective product warranties and as a result, the component manufacturers or suppliers are responsible for providing suitable replacements. However, we are responsible for the cost of replacing the component, which typically includes the costs of labour, transportation and consumables.

For the past FYEs and up to the LPD, we have not had any material claims related to defects or faults that occurred during the defect liability period of our solar PV projects.

6.6.3.9 Performance and product warranties

Solar PV modules that we install for our customers come with the following performance and product warranties:

- performance warranty that the power generated by the solar PV modules will not be less than 80.0% of the installed capacity during the commercial operation period of approximately 25 years; and
- product warranty of up to 12 years.

We also provide product warranties against manufacturing defect for some of the balance of system generally as follows:

- inverters for up to 10 years;
- transformers for up to 2 years;
- solar PV monitoring system for up to 10 years; and
- mounting system that holds the solar PV module for up to 10 years.

Our performance and product warranty for solar PV modules and balance of system are based on back-to-back arrangements with the product manufacturers or suppliers. However, there is no assurance that our product manufacturers or suppliers will continue to be able to honour their performance and product warranty for the solar PV modules and balance of system in the future.

6. INFORMATION ON OUR GROUP (Cont'd)

For the past FYEs and up to the LPD, we have not had any material claims related to performance and product warranties for our design, supply and installation of solar PV facilities.

6.6.3.10 Minimum power supply guarantees

We provide a minimum power supply guarantee to customers of our Solar Division under the fixed lump sum plus variable periodic payment contract mode of operation, whereby we guarantee that the solar PV facility will generate power of not less than 90.0% of the expected yearly energy yield of the respective year (the "Guaranteed Value (kWh)"). This minimum power supply guarantee is for the contract duration period, which is commonly up to 25 years from the date of acceptance of handover (as described in Section 6.6.3.15(vi)).

We also provide a minimum power supply guarantee to MFP Solar's solar PV power plants of 15 years and 20 years upon the acceptance of handover under the operations and maintenance contract between Pekat Solar and MFP Solar.

In the event that the solar PV facility does not generate the Guaranteed Value (kWh) as set out in the respective contract, we will have to compensate the customer for the shortfall based on the terms specified in the respective contract (referred to as the "Performance Guarantee Payment") at the applicable tariff rate of TNB.

An example of the calculation for the Performance Guarantee Payment is as follows:

Performance Guarantee	Actual Power Generated (kWh)	Shortfall ⁽¹⁾ (kWh)	Applicable TNB Tariff	Performance Guarantee Payment ⁽²⁾
kWh	kWh	kWh	RM/kWh	RM
100,000	80,000	20,000	0.355	7,100

Notes:

(1) 100,000 kWh – 80,000 kWh

(2) RM0.355/kWh x 20,000 kWh

The circumstances that may lead to the solar PV facilities failing to meet the minimum power supply guarantee may include, among others, buildings or structures that cast shadows over the solar PV modules; accumulation of dust or debris on the solar PV modules; excessive performance degradation or malfunction of some of the solar PV modules; occurrence of haze, unusually high rainfall or cloud cover, or other weather conditions; and malfunction or inefficiency of inverters.

We have purchased insurance to cover any consequential losses in the event we fail to meet the minimum power supply guarantee. The insurance purchased is based on the installed capacity of each solar PV facility. The total insured sum as at the LPD amounts to RM2.7 million.

The main differences between the performance warranty and minimum power supply guarantee are as follows:

- The performance warranty provides an assurance to the customer that the power generated by the solar PV modules during the commercial operation period of approximately 25 years will not be less than 80.0% of the installed capacity. In the event that the solar PV modules fail to meet the performance warranty, we will replace them. Our performance warranty for solar PV modules are based on back-to-back arrangements with the product manufacturers or suppliers;

6. INFORMATION ON OUR GROUP (Cont'd)

- Under the fixed lump sum plus variable periodic payment contract's minimum power supply guarantee, we will compensate the customer in the event that the power generated by their solar PV facility is less than 90.0% of the Guaranteed Value (kWh) for the contract duration period, which is commonly up to 25 years. In the event that the solar PV facility does not generate the Guaranteed Value (kWh) as set out in the respective contract, we will have to compensate the customer for the shortfall based on the terms specified in the respective contract; and
- The performance warranty applies to all of our customers for solar PV facilities, whereas the minimum power supply guarantee only applies to customers under the fixed lump sum plus variable periodic payment contract mode of operation, and for MFP Solar's solar PV power plants under the operations and maintenance contract between Pekat Solar and MFP Solar.

6.6.3.11 Tender bond, performance bond, retention sum and liquidated ascertained damages

(i) Tender bond

We are required to provide a tender bond as a condition to submit a tender by some prospective customers as requested in their invitation to bid for solar PV projects to demonstrate our seriousness in submitting the tender. Tender bonds may be applicable to all types of solar PV projects and it depends on the requirements of the prospective customer. The value of the tender bond is usually a fixed sum that varies from tender to tender. The tender bond will be fully refunded to us, regardless of if we win or lose the tender.

Tender bonds are not required in cases where we negotiate directly with prospective customers for our solar PV projects.

(ii) Performance bond

For some of our solar PV projects we are required to provide a performance bond equivalent to 2.5% of contract sum, commonly in the form of a bank guarantee. Performance bonds may be applicable to all types of solar PV projects, depending on the requirements of the customer. In the event we do not complete the project due to our actions, our customer may have the right to claim some or all of the performance bond. We would be released from our performance bond commonly 3 months from the date of acceptance of handover of the project (as described in Section 6.6.3.15(vi)).

Some customers provide us with the option of choosing between providing a performance bond or providing retention sum.

(iii) Retention sum

For our design, supply and installation of solar PV facilities for certain non-residential property projects, we have to provide our customers with a retention sum equivalent to 5.0% of the contract fixed price as a performance guarantee. Upon the acceptance of handover of the project and the issuance of the testing and commissioning form, Certificate of Practical Completion, practical acceptance certificate, or project completion letter (as described in Section 6.6.3.15(vi)), half of the retention sum is released to us. Upon the expiration of the defect liability period, commonly ranging between 12 months and 24 months, the remaining half of the retention sum is then released to us, subject to the issuance of a certificate of making good defects.

6. INFORMATION ON OUR GROUP (Cont'd)

There is no retention sum for our design, supply and installation of solar PV facilities for residential property projects.

(iv) Liquidated ascertained damages

Customers for our design, supply and installation of solar PV facilities can claim liquidated ascertained damages from us if there is a delay in completing the project compared to the timeline stipulated in their respective contracts. The amount of liquidated ascertained damages that the customer can claim is specified in their respective contracts.

For the past FYEs and up to the LPD, we have not had any claims relating to liquidated ascertained damages.

6.6.3.12 Project implementation and use of subcontractors

In implementing our design, supply and installation of solar PV facilities, we use our in-house personnel and resources to carry out the following tasks:

- site assessments;
- commercial and technical proposals and tenders;
- engineering design and specifications;
- obtaining regulatory approvals;
- procurement of materials and services;
- testing and commissioning; and
- overall project management and supervision.

We also engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. We engage subcontractors for these tasks in order to minimise the number of employees that we have on our payroll. The use of subcontractors also provides us with the ability to carry out more projects concurrently. In addition, earthworks require specialised machinery and equipment, and consequently it is more cost effective for us to engage external subcontractors rather purchasing the machinery and equipment ourselves.

Kindly refer to Section 6.6.3.15(iv) for information relating to all installation works for the design, supply and installation of solar PV facilities carried out by our subcontractors.

6.6.3.13 Subcontractor for design, supply and installation of solar PV facilities

During the past FYEs and up to the LPD, we were engaged for the design, supply and installation of solar PV systems as a subcontractor by the following customers:

- Bekal Hikmat; and
- Pekat Energy Sarawak.

Although we were the subcontractor for the projects from the above 2 companies, we carried out all the tasks and functions similar to situations where we were the main contractor.

(i) Bekal Hikmat

Bekal Hikmat is involved in the design, supply and installation of solar PV systems as well as trading of electrical and mechanical products. Bekal Hikmat is not a related party to our Group.

6. INFORMATION ON OUR GROUP (Cont'd)

On 14 July 2017, Bekal Hikmat received a letter of award for the “supply, deliver, install, testing & commissioning and maintenance of minimum 3.0 kWp per house of building integrated solar PV system and ancillary works at selected 1,620 houses under MySuria programme” from the Ministry of Energy, Green Technology and Water (now under the Ministry of Science, Technology and Innovation).

Bekal Hikmat subsequently appointed Pekat Solar as the subcontractor for the design, supply and installation of solar PV systems for the said MySuria programme. The total subcontract amount was RM37.6 million.

We implemented this MySuria project during FYE 2017 and FYE 2018. During this period and up to the LPD, we have completed the design, supply and installation of solar PV systems for a total of 332 houses with cumulative installed capacity of approximately 1.0 MWp. Our contract was subsequently discontinued at the end of 2018, as the Government had discontinued the MySuria programme.

During FYE 2017, FYE 2018 and FYE 2019 we recognised cumulative revenue of RM25.7 million from Bekal Hikmat, which comprised cumulative revenue of RM7.7 million for the design, supply and installation of solar PV systems for 332 houses and cumulative revenue of RM18.0 million for the sale of inventory (comprising solar PV modules, inverters and accessories) to the Government through Bekal Hikmat. Our sale of inventory to the Government was because we had already purchased this inventory for the MySuria project, but they were not utilised due to the discontinuation of the MySuria programme at the end of 2018. Moving forward, we expect to recognise another RM2.2 million in revenue from the MySuria contract after FYE 2019 comprising retention sum of RM1.8 million and progress claims of RM0.4 million. The retention sum is expected to be received in financial year ending 2021.

(ii) Pekat Energy Sarawak

In August 2016, Pekat Teknologi accepted a proposal from Azlina Binti Zulkippli (“Azlina”) to establish a company to explore solar PV businesses in Sarawak. Azlina was previously a Business Development Manager of our Group. We gave the authorisation to use the name “Pekat” for the incorporation of Pekat Energy Sarawak on 8 September 2016. Pekat Teknologi subsequently acquired a 49.0% equity interest in Pekat Energy Sarawak on 15 August 2018 and entered into a trademark licencing agreement allowing Pekat Energy Sarawak to use the “Pekat” name on 15 November 2018. The rationale of Pekat Teknologi investing in Pekat Energy Sarawak is to enable the Pekat Group to tap into projects for solar PV facilities in Sarawak that relate to the Sarawak State Government. Azlina is the Director of Pekat Energy Sarawak and is involved in the day-to-day operations and business development of Pekat Energy Sarawak. As at the LPD, Azlina holds the remaining 51.0% equity interest in Pekat Energy Sarawak.

Pekat Energy Sarawak secured its first contract from Sarawak Energy Berhad for the design, supply and installation of solar PV systems under the SARES programme on 31 January 2018. The company subsequently engaged Pekat Solar as a subcontractor for this project on 15 February 2018. Since then and up to the LPD, Pekat Energy Sarawak has secured 4 other contracts for the design, supply and installation of solar PV systems under the SARES programme from Sarawak Energy Berhad. Pekat Energy Sarawak has also subsequently engaged Pekat Solar as the subcontractor for these 4 contracts. As at the LPD, we have completed 4 of these projects with total installed power generating capacity of 506.0 kWp and energy storage system capacity of 3,962.0 kWh and the remaining 1 project with total installed capacity power generating of 188.0 kWp and energy storage system capacity of 1,332.0 kWh is still on-going.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.3.14 Business dealings with associated companies

As at the LPD, we have business dealings with 3 associated companies, namely:

- Pekat Energy Sarawak;
- MFP Solar; and
- Sunway Pekat Solar.

(i) Pekat Energy Sarawak

We have been engaged by Pekat Energy Sarawak for the design, supply and installation of solar PV facilities. Please refer to Section 6.6.3.13(ii) for more details.

(ii) MFP Solar

MFP Solar was incorporated on 29 August 2019 and we acquired 45.0% equity interest in the company on 1 October 2019. The remaining 55.0% equity interest is held by MFCI.

The principal activities of MFCI are investment holding of companies. MFCI is a wholly-owned subsidiary of MFPI. The principal activities of MFPI are investment holding and provision of management services to its subsidiaries. MFPI is a wholly-owned subsidiary of Mega First Corporation Berhad, a company listed on the Main Market of Bursa Securities.

The rationale of Pekat Teknologi forming MFP Solar is to undertake solar PV investment business activities in Malaysia and overseas. The business model of MFP Solar is to invest in solar PV power plants with generating capacity between 1.0 MWp and 10.0 MWp based on a build, own, operate and transfer model. MFP Solar was formed as a joint venture for the purpose of investing in solar PV power plants whereby MFCI will be responsible for the financial, operation and management of MFP Solar while Pekat Teknologi will be in charge of the technical aspects of the solar PV investment, such as the design, supply and installation, as well as operations and maintenance in Malaysia for all solar PV power plants invested by MFP Solar. As a shareholder of MFP Solar, we are responsible to contribute our portion of capital investments when MFP Solar carries out its solar PV power plant projects.

The business model of MFP Solar is based on build, own, operate and transfer of solar PV power plants, where MFP Solar will enter into a PPA with customers. As at the LPD, there are 2 PPAs under MFP Solar, namely Proton PPA and VAT PPA (as defined below). The PPA will provide a recurrent revenue stream for a period of 15 years (Proton PPA) and 20 years (VAT PPA).

This new business model is highly synergistic with our existing business as it leverages on our core competencies of design, supply and installation of solar PV facilities. In addition, we will have the first right-of-refusal to carry out the design, supply and installation, as well as operations and maintenance for all solar PV power plants invested by MFP Solar.

The business model for the build, own, operate and transfer of solar PV power plants for MFP Solar includes the following:

- MFP Solar will finance the building and operations of the solar PV power plants and we will be responsible for part of the financing and expenses as a minority shareholder;

6. INFORMATION ON OUR GROUP (Cont'd)

- Pekat Solar will have the first right-of-refusal to carry out the design, supply and installation of the solar PV power plants;
- Pekat Solar will also have the first right-of-refusal to operate and maintain the solar PV power plants;
- the electricity generated from the solar PV power plants will be supplied fully to the customer at agreed prices. If there is excess electricity, it can be exported to the power grid;
- the PPA provides a minimum power supply guarantee to the respective customer; and
- the ownerships of the solar PV power plants will be transferred to the customers for a nominal sum after the expiration of the PPA with the customers.

The operations and maintenance services provided by Pekat Solar will include the following:

- operations of the solar PV power plant to ensure continuous and safe performance at optimum generation rates;
- routine maintenance to ensure that the power plant is functioning properly, generating electricity at the required level and to minimise the risk of unexpected breakdown;
- corrective maintenance to quickly rectify any breakdowns that may occur;
- remote monitoring of the solar PV power plant's performance, including the quantity of electricity generated and supplied to the energy user and/or power grid; and
- remote control of some aspects of the solar PV power plant's operations.

Our joint venture partner will be involved in securing investment opportunities. If successful, we will benefit as follows:

- project-based revenue from the design, supply and installation of the solar PV power plants, where Pekat Solar has the first right-of-refusal;
- our profits from the design, supply and installation may be used as part of our investment contribution as a minority shareholder;
- recurrent revenue from operating and maintaining the solar PV power plants; and
- share of recurring income upon sale of electricity to users and/or power grid, in the form of dividends as a minority shareholder.

PPA with VAT Manufacturing ("VAT PPA")

In January 2020, we received a fixed lump sum contract from MFP Solar for the design, supply and installation of an on-grid solar PV power plant (under SELCO programme) with installed capacity of 1.5 MWp at the VAT Manufacturing's facility in Batu Kawan, Penang. The contract amount is RM3.8 million. This project is part of the PPA for MFP Solar to supply power to VAT Manufacturing, which was secured in February 2020. This was the first PPA secured by MFP Solar. The VAT PPA is for a period of 20 years. The solar PV power plant was completed and commissioned in August 2020.

6. INFORMATION ON OUR GROUP (Cont'd)

PPA with Proton ("Proton PPA")

On 19 August 2020, Proton entered into a PPA with Pekat Solar. Pekat Solar subsequently novated the Proton PPA to MFP Solar. Under the Proton PPA, MFP Solar will supply power to Proton at rates stipulated in the PPA for a period of 15 years. MFP Solar has in turn engaged Pekat Solar to design, supply and install a solar PV power plant at Proton's manufacturing facility in Tanjung Malim, Perak with installed capacity of 12.1 MWp for a fixed lump sum contract value of RM33.0 million.

As at the LPD, installation for solar PV power plant at Proton's manufacturing facility has commenced, and it is expected to be completed and commissioned during the second quarter of 2021.

(iii) Sunway Pekat Solar

Sunway Pekat Solar was incorporated on 27 June 2019, with Pekat Teknologi holding a 40.0% equity interest since its incorporation. The remaining 60.0% equity interest is owned by Sunway Engineering Sdn Bhd. Sunway Engineering Sdn Bhd is a subsidiary of Sunway Construction Sdn Bhd, which is itself a subsidiary of Sunway Construction, a company listed on Main Market of Bursa Securities.

Sunway Pekat Solar will carry out the design, supply and installation of solar PV facilities for Sunway group of companies' properties such as hospitality, leisure, healthcare, education and retail. The company will also undertake design, supply and installation where Sunway Construction is the main contractor for building and construction works. The first projects undertaken by Sunway Pekat Solar were for the design, supply and installation of solar PV facilities at Sunway Pyramid in Selangor and Sunway Big Box Retail Park at Nusajaya, Johor in 2019. Since then Sunway Pekat Solar has carried out the design, supply and installation of solar PV facilities for 6 Sunway linked properties, as well as the PETRONAS Leadership Centre in Kajang, Selangor and the TNB Campus Phase 2 in Kuala Lumpur where Sunway Construction is responsible for their building construction.

Our key contribution to Sunway Pekat Solar is our experience and expertise in the design, supply and installation of solar PV facilities. As at the LPD, we have seconded our staff to Sunway Pekat Solar, namely 1 Business Development Manager, 1 Project Engineer and 1 Design Engineer.

Sunway Construction's main contribution is the captive market for the design, supply and installation of solar PV facilities for Sunway group of companies' properties, as well as for some of the building construction projects that they carry out.

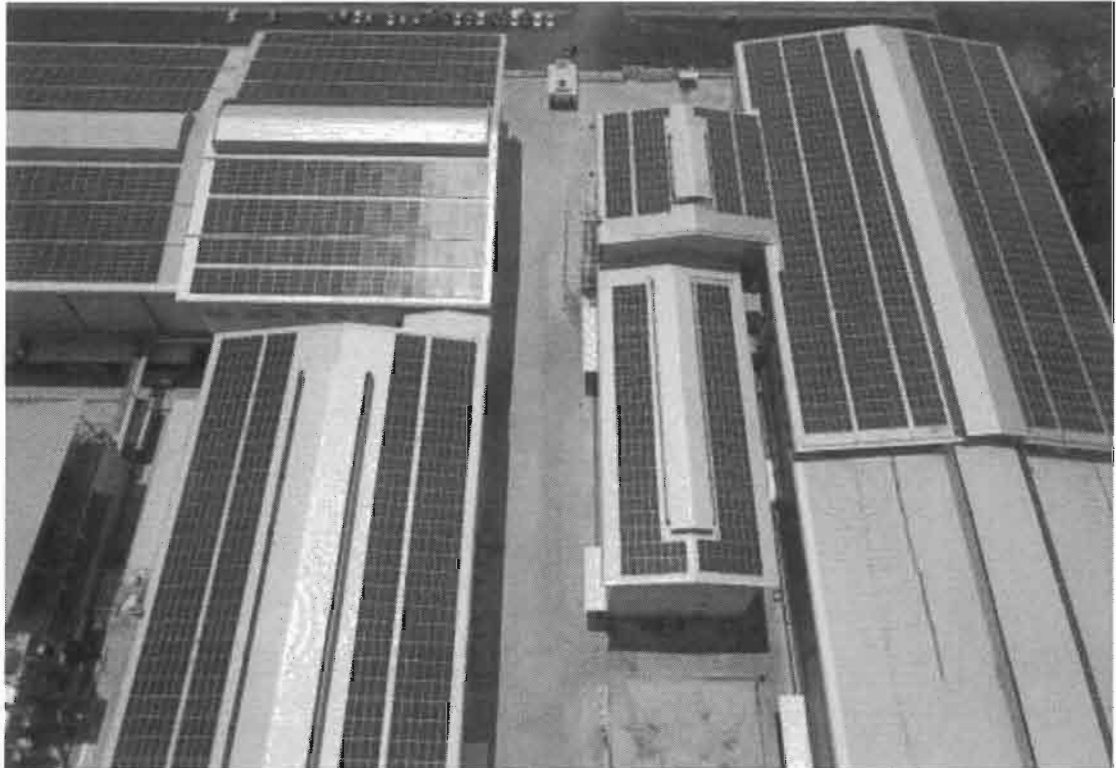
6.6.3.15 Process flow for the Solar Division

With respect to the design, supply and installation of solar PV facilities, we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so). We use our in-house resources and personnel to carry out site assessment and proposal, securing the contract, engineering design and specifications, obtaining regulatory approval, procurement of materials and services and carrying out testing and commissioning of the facilities after installation. We engage subcontractors to carry out all installation works under our project management and supervision. We also provide maintenance services for solar PV facilities for some customers.

6. INFORMATION ON OUR GROUP (Cont'd)

We are responsible for the overall project management and supervision of the project. This includes ensuring that the overall project progresses according to schedule in order to meet our delivery milestones as stipulated in our contracts. We are responsible for supervising all of the subcontractors that we engage to carry out the installation works, to ensure that all of the work carried out are in accordance with our work and safety procedures/practices and that technical specifications are met. We also liaise with the project owners or the main contractors, government authorities and other third parties.

A solar PV power plant that we designed, supplied and installed on the rooftop of an industrial facility in Klang, Selangor



Our general process flow for the Solar Division is depicted in the following diagram:



* Maintenance is included for some solar PV facilities, while others are based on separate contracts

6. INFORMATION ON OUR GROUP (Cont'd)

(i) Site assessment and secure contract

Before any design, supply and installation of solar PV facility project commences, we have to submit a bid or a proposal. We start the process by carrying out a site assessment, including site assessment for potential bidder of solar PV programmes initiated by the Government. Site assessment involves assessing the prospective installation site to determine the space and conditions available for installing the solar PV panels and balance of system. For roof mounted solar PV facilities, the building and roof are inspected to ensure that they can support the weight of the solar PV panels. If it is ground mounted, assessment is made as to the potential amount of work required for site clearance and earthworks. If it is for a solar farm for export to the power grid, assessment of interconnection to the most practical transmission substation will also be required. For projects under the LSS programme, environmental impact studies will be required to be carried out.

The site assessment will provide pertinent data and information to enable us to carry out our costing and prepare the proposal to the prospective customer. We secure our contracts for the design, supply and installation of solar PV facilities mainly through competitive bidding or direct negotiations with our customers. With our associated company, MFP Solar, we are given the first right-of-refusal and with Pekat Energy Sarawak we are the preferred company for the design, supply and installation of solar PV facilities.

(ii) Design and regulatory approvals

Design

Once we have been awarded the contract, we will commence the design phase which is to carry out the engineering design and specification of the solar PV facility which will be in accordance to the customer's requirements and based on the data obtained from the site assessment. This portion of our work is focused on developing the masterplan and providing all the technical specifications, requirements, schedules and processes for the execution of the project.

Our engineering design and specification process includes the following:

- Developing the schematic drawings and specifications of the solar PV facility. This includes determining the number of the solar PV panels required to achieve the installed peak or generating capacity requirements, connections and cabling, row spacing, orientation and angle of inclination to achieve the optimum electricity generation as well as the orientation and inclination of rooftops or contour of the ground installation site.
- All solar PV facilities require balance of system, which are all the necessary materials and equipment apart from the solar PV modules to complete a working solar PV facility. The balance of system requirements will depend on the following key factors:
 - installed capacity;
 - ground mounted or rooftop installation;
 - on-grid or off-grid;
 - self-consumption and/or export to the power grid;
 - requirement for energy storage; and
 - requirement for alternative source of power.

6. INFORMATION ON OUR GROUP (Cont'd)

Balance of system includes, among others, the following:

- mounting frame system to hold the solar PV modules;
- wiring and switches;
- junction boxes with fuses and relays;
- inverters to convert direct current (DC) from the solar PV panels to alternating current (AC), which is the type of current consumed by users and transmitted and distributed by the power grid in Malaysia;
- electricity generation and bi-directional meters;
- energy management and monitoring systems; and
- safety equipment including ELP systems.

Larger solar PV facilities, especially solar PV power plants, will require some or all of the following additional balance of system:

- supervisory control and data acquisition (SCADA) system to monitor the performance, efficiency and safety of the whole facility;
- interconnection from the solar PV facility to a power grid substation to export power generated by the facility to the grid; and
- transformer to step-up the voltage for export to the grid.

Some of our off-grid solar PV facilities require energy storage system and/or hybrid power such as a fuel-based power generation set to provide power when there is low or no sunlight.

Final selection of the solar PV modules and balance of system are determined by us. The procurement list of the solar PV equipment, structural elements, building and other materials is drawn up based on the detailed engineering design and specification.

Regulatory approvals

Part of our engineering design and specification process also involves preparing all the necessary documentation to obtain the required regulatory approvals and permits, which includes the following:

- Submission of structural and electrical drawings and supporting documents to the relevant local authorities;
- Submission of a NEM Assessment Study, Power System Study, or Connection Confirmation Check to TNB and SEDA Malaysia (where applicable);
- Submission of an application to Suruhanjaya Tenaga (ST) for Public Installation Licence or Private Installation Licence (where applicable), which is applicable under NEM, SELCO and LSS programmes;
- Submission of an application for Green Investment Tax Allowance (GITA) to MIDA and the Malaysia Greentech Centre (where applicable), which is applicable under NEM and SELCO programmes; and
- Applicable approvals from the relevant local councils.

Our Group assists potential bidder in preparing the tender documents for submission in relation to solar PV programmes initiated by the Government.

The applicability of the regulatory approvals and permits related to solar PV facilities listed is summarised in the following table:

6. INFORMATION ON OUR GROUP (Cont'd)

Regulatory requirements and incentives		Applicability
NEM Assessment Study		Solar PV facilities installed under the NEM programme with capacity exceeding 72.0 kW and below 425.0 kW.
Power System Study		Renewable energy power generators (including solar PV facilities) installed under the NEM programme with capacity exceeding 425.0 kW that are interconnected to the power grid.
Public Licence	Installation	Power generating installations (including solar PV facilities) to supply power to any parties other than the licensee.
Private Licence	Installation	Power generating installations (including solar PV facilities) for self-consumption only.
Green Tax Assets	Investment Allowance	For companies that has incurred qualifying capital expenditure in green technology investment (including solar PV facilities) which have been verified by GreenTech Malaysia and product used is listed under the MyHJAU Directory, in order to benefit from Green Technology Tax Incentive introduced by the MIDA.
Green Tax Projects	Investment Allowance	For companies that has incurred qualifying capital expenditure on green technology projects (including solar PV facilities) as a business or for their own power consumption, where the product used is listed under the MyHJAU Directory in order to benefit from Green Technology Tax Incentive introduced by MIDA.
Green Income Tax Exemption Services		For companies that provide green technology services (including solar PV facilities) which have been verified by GreenTech Malaysia in order to benefit from Green Income Tax Exemption introduced by MIDA.

(iii) Procurement of materials and services

Based on the engineering design and specifications, we will procure all relevant materials, equipment, subcontracting work and labour. The solar PV modules and balance of system that we receive from suppliers and manufacturers are inspected to ensure that they comply to specifications.

(iv) Installation of solar PV facility

For ground mounted solar PV power plants, our appointed subcontractors will carry out the following:

- site preparation works, including land clearing and levelling for the installation of solar PV arrays;
- construct infrastructure including access roads and drainage systems as well as interconnection cabling to the nearest power substation or power distribution board for export to the power grid;
- foundation works to support the solar PV arrays and balance of system depending on the soil conditions and type of structures to be built;

6. INFORMATION ON OUR GROUP (Cont'd)

- constructing platforms strategically placed across the site to support inverters and/or transformers (where required);
- constructing control centres to house monitoring and management equipment and personnel;
- erecting the mounting system and installing the solar PV panels, connectors, DC junction boxes and ELP system;
- installing the balance of system;
- installing energy management and SCADA devices (where required);
- cabling and wiring to integrate the solar PV arrays, balance of system and on-site monitoring and management systems; and
- carrying out the electrical tie-in to connect the solar PV power plant with electricity consumers and/or with a power grid substation.

The construction of a roof-mounted solar PV power plant generally involves the following:

- if required, the building and roof structure are reinforced to support the weight of the solar PV panels and mounting frames;
- erecting the mounting frames and installing the solar PV panels, cabling and ELP system;
- installing the balance of system;
- if required, create an enclosure to house the balance of system; and
- electrical tie-in to connect the solar PV facility with electricity consumers and/or with a power grid substation and/or power distribution board.

Off-grid solar PV facility may require installation of auxiliary power system, such as fuel-based power generation sets, to supply power when required.

We engage subcontractors to carry out all installation works under our project management and supervision. This is to ensure that technical specifications are met and that work is carried out in accordance with our work and safety procedures and practices.

(v) Testing and commissioning

Upon the completion of the installation, we will test the equipment and system before commissioning the entire solar PV facility. The following steps are usually taken:

- validate that the solar PV panels and balance of system have been installed in accordance with structural and electrical drawings, manufacturers' specifications and other relevant specifications;
- verify that the power generated is in accordance with design specifications and document the peak and overall power generating capacity;
- verify that the auxiliary power system is functioning in accordance with design specifications;
- verify that the electricity generation and bi-directional electricity meters are functioning;
- ensure that the system is properly and safely integrated with the building's power system and, where relevant substation of the power grid; and
- detect and rectify any defects and problems with the installation.

Any interconnection to the power grid via power substation or power distribution board will need to be tested and commissioned together with a representative from the owner of the power grid, such as TNB (where required).

6. INFORMATION ON OUR GROUP (Cont'd)

The final total system test is carried out by our certified personnel and witnessed by the owners, investors and/or their representatives. Testing is completed once all of the identified problems are rectified.

(vi) Project completion and handover

The solar PV facility is then commissioned and officially handed over to the customer with all the relevant regulatory certifications and registrations. The acceptance of project handover documentation is summarised in the following table:

Completion Documentation	Type of Customer
Testing and commissioning form	<ul style="list-style-type: none"> • Building owner (for fixed lump sum contracts) • Business owner (for fixed lump sum contracts)
Certificate of Practical Completion	<ul style="list-style-type: none"> • Solar PV facility owner • Main and M&E contractor • Bekal Hikmat
Practical acceptance certificate	<ul style="list-style-type: none"> • Pekat Energy Sarawak
Project completion letter	<ul style="list-style-type: none"> • Building owner (for fixed lump sum plus variable payments contracts)

We will also provide our customers with all documentation related to the solar PV facility, such as test and commissioning reports, performance ratio test reports, as-built drawings, operational manuals and other relevant documentation. In addition, we provide user training to enable them to operate the solar PV facility.

The typical project implementation period for solar PV facilities, from securing the contract to project handover and completion, varies depending on the installed capacity of the project. Solar PV systems (installed capacity of less than 1.0 MWp) typically require between 3 to 4 months to implement, while solar PV power plants (installed capacity of 1.0 MWp or more, except for projects under the LSS programme) typically require between 3 to 9 months to complete. Solar PV power plants for projects under the LSS programme typically require between 12 to 18 months to complete.

(vii) Maintenance

We provide maintenance services for some of the solar PV facilities that we design, supply and install under 3 types of arrangements, namely as part of the design, supply and installation contract; entering into a maintenance service contract after the defect liability period expires; and providing ad-hoc repair services as required for customers without any underlying subsisting contract. The maintenance services that we provide include routine maintenance, scheduled maintenance and repair services (corrective maintenance).

Our maintenance service contracts are fixed lump sum contracts with specified periodic payments for a fixed period. Ad-hoc repairs are based on purchase orders and are issued as and when our services are required.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.3.16 Completed solar PV projects

The list of our completed solar PV projects since FYE 2010 up to the LPD, with a contract value of RM2.0 million and above are summarised in the following table:

Customer	Location(s)	Type of Building	Contract Capacity (MWp)	Contract Value * (RM'000)	Programme	Start Date ⁽¹⁾	Completion Date ⁽²⁾
Solar PV Systems							
Transmission Technology Sdn Bhd	Kuala Lumpur Sentral, Kuala Lumpur	Commercial	0.2	2,660	SELCO	December 2010	August 2011
Juaraconsult Sdn Bhd	Klang, Selangor	Commercial	0.3	3,678	FIT	July 2013	November 2013
OCK Setia Engineering Sdn Bhd	Klang, Selangor	Solar Farm	0.4	2,763	FIT	August 2014	December 2014
OCK Setia Engineering Sdn Bhd	Sendayan, Seremban	Solar Farm	0.4	2,340	FIT	August 2014	December 2014
OCK Setia Engineering Sdn Bhd	Kota Kemuning, Selangor	Solar Farm	0.4	2,340	FIT	August 2014	December 2014
OCK Setia Engineering Sdn Bhd	Sendayan, Seremban	Solar Farm	0.4	2,571	FIT	April 2015	November 2015
SEDA	Putrajaya	Commercial	0.7	4,987	SELCO	October 2014	June 2015
OCK Setia Engineering Sdn Bhd	Kota Kemuning, Selangor	Solar Farm	0.4	2,571	FIT	April 2015	November 2015
Tuck Sun & Co (Malaysia) Sdn Bhd	Klang, Selangor	Industrial	0.2	3,272	FIT	June 2015	December 2015
Binawani Sdn Bhd	Segambut, Kuala Lumpur	Commercial	0.4	3,380	FIT	July 2015	December 2015
Firasjaya Sdn Bhd	Kuala Penyu, Sabah	Solar Farm	0.7	3,000	FIT	August 2016	December 2016
Hong Seng Power Sdn Bhd	Butterworth, Penang	Industrial	0.4	2,500	FIT	March 2016	December 2016
Bekal Hikmat ⁽³⁾	Throughout Malaysia	Residential	4.9 ⁽⁴⁾	37,605 ^{(3) (4)}	MySuria	July 2017	January 2019 ⁽⁵⁾

6. INFORMATION ON OUR GROUP (Cont'd)

Customer	Location(s)	Type of Building	Contract Capacity (MWp)	Contract Value * (RM'000)	Programme	Start Date ⁽¹⁾	Completion Date ⁽²⁾
Cyberview Sdn Bhd	Cyberjaya	Commercial	1.0	3,940	NEM	November 2017	May 2018
NLE Electrical Engineering Bhd	Sdn Batu Kawan, Penang	Industrial	1.0	3,500	SELCO	August 2017	July 2018
Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust) ^{(6) (7)}	Masai, Kota Tinggi and Tampoi, Johor; Bangi, Selangor; Senawang, Negeri Sembilan; Melaka	Commercial	2.7	9,555	SELCO, NEM ⁽⁸⁾	June 2018	December 2018
Pekati Energy Sarawak	Bintulu, Sarawak	Residential	0.1	4,345	SARES	August 2018	January 2020
Pekati Energy Sarawak	Kapit, Sarawak	Residential	0.1	2,811	SARES	February 2018	April 2019
PWF Feeds Sdn Bhd	Bukit Mertajam, Penang	Industrial	0.8	3,000	NEM	January 2019	November 2019
Projek Lebuhraya Usahasama Bhd	Petaling Jaya, Selangor and Ayer Hitam, Johor	Commercial	0.6	2,667	SELCO	March 2018	September 2019
Advent Packaging Sdn Bhd	Klang, Selangor	Industrial	0.8	2,611	SELCO	July 2018	March 2019
Firstex Knitting Industry Sdn Bhd	Kulim, Kedah	Industrial	0.6	2,190	SELCO	June 2018	December 2018
Segi University Sdn Bhd	Kota Damansara, Selangor	Community	0.6	2,105	NEM	January 2018	March 2019
EconSave Cash & Carry Sdn Bhd	Senai, Johor	Commercial	0.7	2,065	NEM	August 2018	August 2019
Pekati Energy Sarawak	Kapit, Sarawak	Residential	0.2	7,544	SARES	June 2019	January 2020
Cahaya Serijaya Sdn Bhd	Selangor, Selangor	Commercial	1.0	2,966	NEM	June 2019	November 2019
Pekati Energy Sarawak	Kapit, Sarawak	Residential	0.1	4,500	SARES	April 2020	December 2020
ENGIE Services Malaysia Sdn Bhd	Shah Alam, Selangor	Industrial	0.8	2,036	NEM	November 2020	January 2021

6. INFORMATION ON OUR GROUP (Cont'd)

Customer	Location(s)	Type of Building	Contract Capacity (MWp)	Contract Value * (RM'000)	Programme	Start Date ⁽¹⁾	Completion Date ⁽²⁾
Solar PV Power Plant							
OCK Setia Engineering Sdn Bhd	Pasir Puteh, Kelantan	Solar Farm	1.0	5,500	FIT	April 2013	September 2013
SW7 Sdn Bhd	Kuala Penyu, Sabah	Solar Farm	1.0	5,944	FIT	July 2015	November 2015
MetTube Sdn Bhd ⁽⁶⁾	Shah Alam, Selangor	Industrial	4.1	11,366	SELCO	July 2018	February 2019
Metrod (Malaysia) Sdn Bhd ⁽⁶⁾	Klang, Selangor	Industrial	2.5	6,957	SELCO	July 2018	January 2019
Kualiti Alam Sdn Bhd	Bukit Pelandok, Negeri Sembilan	Industrial	1.0	3,500	SELCO	February 2018	May 2018
Ideal Quality Sdn Bhd	Klang, Selangor	Industrial	2.6	7,843	NEM	November 2019	February 2020
CTRM Aero Composites Sdn Bhd	Batu Berendam, Melaka	Industrial	1.9	4,189	SELCO	November 2019	January 2020
Teh Ah Yau Rubber Factory Sdn Bhd ⁽⁶⁾	Sdn Bedong, Kedah	Industrial	1.0	2,900	NEM	August 2019	June 2020
MFP Solar	Batu Kawan, Penang	Industrial	1.5	3,770	SELCO	January 2020	August 2020
Kami Farming Sdn Bhd	Simpang Ampat, Penang	Industrial	1.1	2,755	NEM	May 2019	November 2020
Hong Seng Assembly Sdn Bhd	Butterworth, Penang	Industrial	1.3	5,816	LSS 2	March 2019	February 2021
Yeo Aik Wood Sdn Bhd ⁽⁴⁾	Sungai Rambai and Merlimau, Melaka	Industrial	1.1	3,268	NEM	November 2019	March 2021
ENGIE Services Malaysia Sdn Bhd	Shah Alam, Selangor	Industrial	2.4	6,171	NEM	September 2020	December 2020

Save for Bekal Hikmat and Pekat Energy Sawarak, where we were appointed as subcontractor, we were the main contractor for all projects stated above.

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

- * Contract value includes variation orders, if there are any.
- (1) The start date is based on the letter of award and/or commencement date as agreed with the customer.
- (2) The completion date is based on the acceptance of handover through the issuance of testing and commissioning form practical acceptance certificate, project completion letter, or CPC.
- (3) Categorised under the solar PV systems as the solar PV systems that we have installed at the 332 residences each had installed capacity of 3.0 kWp.
- (4) We have been subcontracted for the design, supply and installation of solar PV systems for 1,620 residences throughout Malaysia, with contract capacity of minimum 3.0 kWp per residence, for total contract capacity of 4.9 MWp for 1,620 residences. The Government discontinued the MySuria programme at the end of 2018 and by then we had completed the design, supply and installation for 332 residences with cumulative installed capacity of approximately 1.0 MWp.
- (5) The subcontracted contract value was RM37.6 million. During FYE 2017, FYE 2018 and FYE 2019 we recognised cumulative revenue which amounted to RM25.7 million from Bekal Hikmat, which comprised cumulative revenue of RM7.7 million for the design, supply and installation of solar PV systems for 332 houses and cumulative revenue of RM18.0 million for the sale of inventory (comprising solar PV modules, inverters and accessories) to the Government through Bekal Hikmat. Our sale of inventory to the Government was because we had already purchased this inventory for the MySuria project, but they were not utilised due to the discontinuation of the MySuria programme at the end of 2018.
- (6) Design, supply and installation carried out under the fixed lump sum plus variable periodic payments mode of operation. The final sum billed to our customers for contracts under this mode of operation is 80% of the contract sum.
- (7) Categorised under the solar PV systems as 5 out of 6 six solar PV facilities under this contract were solar PV systems with installed capacity of between 165.0 kWp and 505.6 kWp.
- (8) All 6 solar PV facilities under this contract were installed under the SELCO programme. The owner of these solar PV facilities subsequently applied to convert them to the NEM programme. As at the LPD, 3 of the solar PV facilities have been granted approval and converted to the NEM programme, while the applications for the remaining 3 solar PV facilities are pending approval. There is no indication as to when approval may be granted.

6. INFORMATION ON OUR GROUP (Cont'd)**6.6.3.17 On-going solar PV projects**

As at the LPD, the list of our on-going design, supply and installation projects with a contract value of RM2.0 million and above are summarised in the following table:

Customer	Location(s)	Type of Building	Contract Capacity (MWp)	Contract Value * (RM'000)	Programme	Start Date ⁽¹⁾	Completion Date ⁽²⁾
Solar PV Power Plant							
MFP Solar ⁽³⁾	Tanjung Malim, Perak	Industrial	12.1	33,000	NEM	September 2020	June 2021
Syarikat Tenaga (Gemas) Sdn Bhd	Gemas, Negeri Sembilan	Industrial	4.3	12,557	NEM	December 2019	September 2021
Projek Lebuhraya Usahasama Bhd	6 selected rest areas along the North South Expressway	Commercial	2.1	5,923	NEM	January 2020	October 2021
Digital Furniture Sdn Bhd ⁽⁴⁾	Muar, Johor	Industrial	1.1	3,481	NEM	November 2019	June 2021
UTeM Holdings Sdn Bhd	Ayer Keroh, Melaka	Commercial	2.2	4,495	NEM	July 2020	May 2021
Tunas Manja Sdn Bhd	Pahang, Terengganu, Negeri Sembilan	Commercial	3.6	9,273	NEM	July 2020	June 2021
Rubberex Alliance Sdn Bhd	Ipoh, Perak	Industrial	2.3	4,953	NEM	August 2020	September 2021
Pekati Energy Sarawak	Tatau, Sarawak	Residential	0.2	7,874	SARES	June 2020	May 2021
Hock Soon Poultry Farm Sdn Bhd	Bidor, Perak	Industrial	0.9	2,116	SELCO	April 2021	September 2021
PWF Farms Sdn Bhd	Kedah and Perak	Industrial	1.0	2,800	NEM	July 2021	December 2021
Kami Farming Sdn Bhd	Simpang Ampat, Penang	Industrial	1.1	233	NEM	May 2021	December 2021
United U-Li (M) Sdn Bhd	Negeri Sembilan, Selangor and Perak	Industrial	1.5	3,200	NEM	February 2021	August 2021
Top Glove Sdn Bhd ⁽⁵⁾	Meru, Selangor	Industrial	2.8	5,417	NEM	March 2021	August 2021

6. INFORMATION ON OUR GROUP (Cont'd)

Customer	Location(s)	Type of Building	Contract Capacity (MWp)	Contract Value * (RM'000)	Programme	Start Date ⁽¹⁾	Completion Date ⁽²⁾
KMM Constructions and Supply Sdn Bhd	Gebeng, Pahang	Industrial	3.1	5,926	SELCO	February 2021	September 2021
Multiplex Packaging Sdn Bhd	Nilai, Negeri Sembilan	Industrial	1.2	2,594	NEM	March 2021	November 2021
Leon Fuat Metal Sdn Bhd	Shah Alam, Selangor	Industrial	1.2	2,790	NEM	January 2021	July 2021
Pen Petroleum Sdn Bhd	Seberang Perai, Penang	Industrial	0.9	2,345	NEM	April 2021	November 2021

Save for Bekal Hikmat and Pekat Energy Sarawak, where we are appointed as subcontractor, we are the main contractor for all projects stated above.

Notes:

* Contract value includes variation orders, if there are any.

(1) The start date is based on the letter of award and/or commencement date as agreed with the customer.

(2) The estimated completion date of the design, supply and installation of the solar PV facility.

(3) On 19 August 2020, Proton entered into a PPA with Pekat Solar. Pekat Solar subsequently novated the Proton PPA to MFP Solar and MFP Solar has in turn engaged Pekat Solar to design, supply and install a solar PV power plant at Proton's manufacturing facility in Tanjung Malim, Perak. Design, supply and installation carried out under the fixed lump sum plus variable periodic payments mode of operation. The final sum billed to our customers for contracts under this mode of operation is 80% of the contract sum.

(5) Design, supply and installation of 3 solar PV facilities with total contract capacity of 5.4 MWp.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.6.4 ELP Division

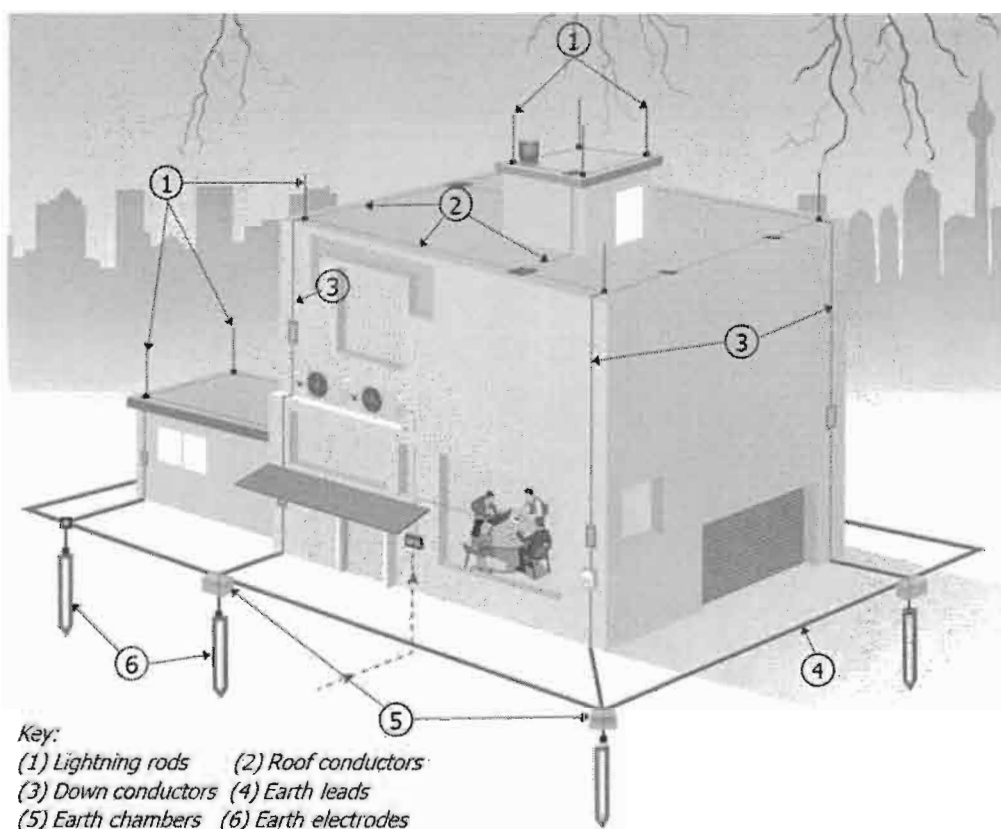
6.6.4.1 Overview

Part of our business is the supply and installation of ELP systems for buildings, structures and facilities to protect people, property and equipment by channelling unintended electric current safely to earth. This business is undertaken by our wholly-owned subsidiary, Pekat E&LP.

We are involved in the supply and installation of 2 types of ELP system:

- (i) Electrical earthing systems installed in buildings, structures and facilities to channel unintended electric current, commonly caused by short circuits, safely to earth; and
- (ii) Lightning protection systems installed in buildings, structures and facilities to channel lightning strikes safely to earth.

The main components of an ELP system comprising electrical earthing system and lightning protection system



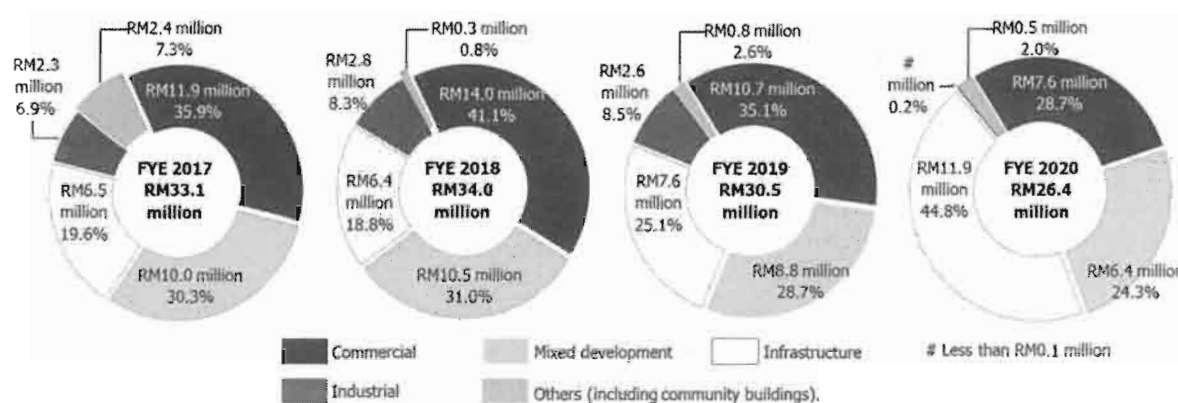
For the past FYEs and up to the LPD, we have provided ELP systems for the following types of buildings and facilities:

- Commercial buildings and facilities, such as shopping complexes, office buildings, hotels, media broadcast centre and data centres;
- Mixed developments comprising a combination of residential and commercial buildings within the same development;
- Infrastructure including rail transportation stations and guideways, expressways and highways;

6. INFORMATION ON OUR GROUP (Cont'd)

- Industrial buildings, such as factories, refineries and petrochemical plants; and
- Others, such as community buildings and non-projects based supply and installation.

For the past 4 FYEs, our revenue segmentation by types of buildings and facilities is as follows:



The ELP systems that we install are mostly carried out during the construction of new buildings, structures and facilities. For existing buildings, structures and facilities, we will replace, upgrade or install a new ELP system.

6.6.4.2 Applications of ELP systems

ELP systems are designed to channel unintended electricity safely to earth to prevent damage to equipment, property and life. Unintended electricity arises from the following situations:

- Short circuit, which occurs when a malfunction creates an unintended electrical circuit that allows electricity to flow to another point. Malfunctions can occur due to, among others, faulty wiring, improper installation, cable insulation failure, loose wires and the presence of water that serve as a conductor of electricity. A short circuit can lead to large surge of electricity flowing through the circuit, which can cause damage to the circuit, overheating, fire or explosion. A person who touches a short circuit can receive an electric shock that can result in injury or death.
- Power surge, where there is an abnormally large increase in the supply of electricity from the power grid to a building's power system. Although the electricity surge lasts for less than 1 second, it can damage electrical and electronic equipment that are connected to the power system, or result in electric shock to people.
- Lightning, which is an electrical discharge between storm clouds and the ground, may strike nearby objects during a storm. This brief and large amount of electricity can cause damage or fire to objects, or injure or kill people that it strikes.

6. INFORMATION ON OUR GROUP (Cont'd)

(i) Earthing system

In general, the main components of an earthing system include the following:

- Earth electrode (also known as earth plate) is a conductor that is buried in the earth, through which unintended electricity is safely dissipated. The main types of earth electrodes that we use include the following:
 - . Pile cap, where the earth leads are welded to reinforced bars that have been installed in the ground to form a building or structure's foundation;
 - . Plate earthing, where a plate made of copper is buried vertically in the ground;
 - . Rod earthing, where a rod made of copper, copper bonded or stainless steel is buried vertically in the ground;
 - . Mesh earthing, where a mesh made up of welded copper is buried horizontally in the ground; and
 - . Earthing through an earth enhancement compound, which is a mixture containing conductive minerals that is mixed into the ground. It is then solidified with concrete that improves conductivity between the earth electrode and the ground it is buried in.
- Earth lead (also known as earth conductor) is an insulated tape, rod or stranded cable conductor that forms the main connection between the building or structure's power system to the earth electrode. It is the pathway for unintended electricity to flow to the earth electrode to be safely dissipated away.
- Earth continuity conductors (also known as earth wire) are used to connect the earth lead to various points of the power system, such as distribution boards, electrical sockets and electrical machinery and equipment. Earth continuity conductors are usually made from bare or coated tape, rod or stranded cable conductors. The points where an earth continuity conductor meets the earth lead are known as the "connecting points".
- Submain earthing conductors are the cables that connect the distribution board to various switchboards. Coated stranded cable conductors are used for this purpose.

During an unintended electrical event, such as a short circuit, power surge or lightning strike, the unintended electricity will flow from the power source through the earth continuity conductors into the earth lead and then into the earth electrode, where it is dissipated into the earth.

With respect to our ELP projects, we are engaged as a subcontractor to supply and install the earth electrode and earth lead, which together form the backbone of the earthing system. Other subcontractors, namely electricians and technicians are engaged by main contractor to install the earth continuity conductors and submain earthing conductors and to connect them to the earth lead.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Lightning protection systems

In general, the main components of a lightning protection system comprise the following:

- Lightning rods, which are pointed rod conductors, commonly made of copper or aluminium, installed on the roof or on top of a building or facility so that their points are the highest points on the building or facility. The lightning rods are designed to intercept lightning, so that the unintended electric current can be carried by the lightning rod to the earth electrode, without passing through the building or facility and safely dissipated in the earth.
- Roof conductors, which are tape, rod or stranded cable conductors, that connect all of the installed lightning rods to the down conductors.
- Down conductors, which connect the lightning rods and roof conductors at the top of the building or facility to the earth electrode. The down conductors create the pathway for the unintended electric current from a lightning strike to travel to the earth electrode, without passing through the building or facility. A down conductor may consist of 1 of the following:
 - A thick conductor starting from the roof that runs down the outside of the building or facility to the buried earth electrode. We use down conductors made of copper or aluminium and which are either bare or covered with plastic coating as an insulator.
 - The steel frame of a building, which is the steel reinforcing bars within its concrete or steel beam structure. In this case, the roof conductor is connected to the steel frame at the roof of the building and the earth electrode is connected to the steel frame at the ground or basement level.
- Earth electrode, a conductor that is buried in the earth that dissipates the electrical current from a lightning strike. It is similar to the earth electrode in an earthing system and performs the same function.

A lightning rod



We supply and install the entire lightning protection system comprising the components described above.

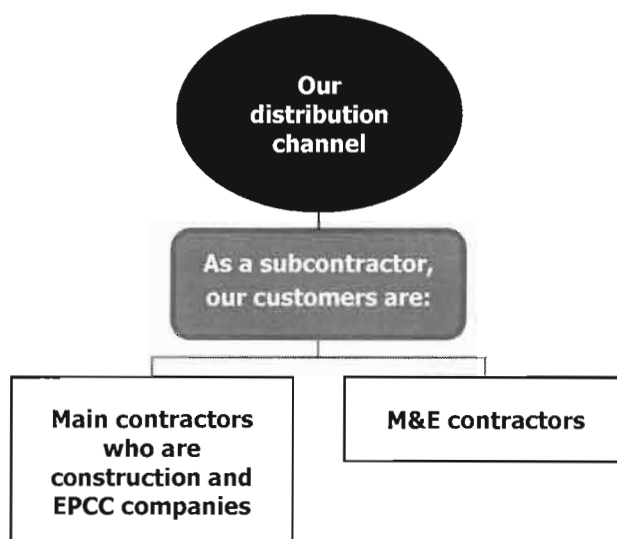
6.6.4.3 Mode of operations

Our mode of operation for the ELP Division is based on fixed lump sum contracts. The contract will specify the scope of work and deliverables, timeline for delivery and schedule of payment, as well as a fixed price for the contract. Our customer will pay us the fixed price of the contract subject to any variance orders or claims against liquidated ascertained damages. We are not entitled to any other payments for our fixed lump sum contract work.

For all of our ELP projects, we have to provide our customers with a retention sum equivalent to 5.0% of the contract fixed price as a performance guarantee. Upon the date of issuance of the CPC or final acceptance by the customer, half the retention sum is released to us. Upon the expiration of the defect liability period, the remaining half of the retention sum is then released to us.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.4.4 Distribution channel and main customers



We use indirect distribution channel where we work as a subcontractor specialising in ELP systems to main contractors such as construction and EPCC companies. We also work as subcontractors to M&E contractors.

We work as a subcontractor because our supply and installation of ELP systems are specialised works and they represent a small proportion of the total construction or EPCC contracts. In addition, our ELP systems are part of the overall M&E works and we have to integrate our system with the overall building or facility's M&E system.

6.6.4.5 Tender Bond, performance bond and retention sum

(i) Tender bond

Some main contractors require us to provide a tender bond as a condition to submit a tender for ELP projects to demonstrate our seriousness in submitting the tender. Tender bonds may be applicable to all types of ELP projects and it depends on the requirement of the main contractor. The value of the tender bond is usually a fixed sum that varies from tender to tender. The tender bond will be fully refunded to us, regardless if we win or lose the tender.

Tender bonds are not required in cases where we negotiate directly with M&E contractors for ELP projects.

(ii) Performance bond

Some main contractors require us to provide a performance bond equivalent to 5.0% of the contract sum for the ELP projects. Performance bonds may be applicable to all types of ELP projects depending on the requirements of the main contractor. Performance bond is commonly in the form of a bank guarantee. In the event we do not complete the project due to our actions, our customer may have the right to claim some or all of the performance bond. Upon the completion of the project and after 3 months from the acceptance by the customer, we would be released from our performance bond.

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

For all of our ELP projects, we have to provide our customers with a retention sum equivalent to 5.0% of the contract fixed price as a performance guarantee. Upon the date of issuance of the CPC or final acceptance by the customer, half the retention sum is released to us. Upon the expiration of the defect liability period, the remaining half of the retention sum is then released to us, subject to the issuance of a certificate of making good the defects.

6.6.4.6 Defect liability period

We provide a defect liability period from the date of issuance of the CPC or final acceptance by the customer for our installed ELP systems. The defect liability period is stipulated in the respective contracts and is usually for 24 months.

We are responsible for making good any defects or faults that may occur during the defect liability period. Some of the ELP system components are covered against manufacturing defects by their respective product warranties and as a result, the component manufacturers or suppliers are responsible for providing suitable replacements. We are responsible for our brands of products, which we have back-to-back arrangements with our manufacturers. However, we are responsible for the cost of replacing the component, which typically includes the costs of labour, transportation and consumables.

For the past FYEs and up to the LPD, we have not had encountered any material claims related to defects or faults that occurred during the defect liability period for our ELP projects.

6.6.4.7 Product warranties

The warranty periods for ELP system components used in the projects that we supply and install are as follows:

ELP system component	Warranty period (years)	
	Our brands	Third party brands
Conductors	2	2
Earth electrodes, leads and joints	2	2
Lightning rods	2	2
Sub-main earth conductors	2	2
Surge protection device	2	1

For products under third party brands, we have back-to-back arrangements for product warranty with the manufacturers or suppliers for their respective brands of products.

For ELP systems, we do not provide any performance warranty.

For the past FYEs and up to the LPD, we have not had any material claims related to product warranties for our ELP projects.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.4.8 Project implementation and use of subcontractors

In implementing our supply and installation of ELP systems, we use our in-house personnel and resources to carry out the following tasks:

- project assessments;
- commercial and technical proposals and tenders;
- procurement of materials and services;
- testing and commissioning; and
- overall project management and supervision.

We engage subcontractors to carry out all installation works under our project management and supervision (please refer to Section 6.6.4.9(iv) for information relating to the installation works for the ELP projects carried out by our subcontractors). We engage subcontractors for these tasks in order to minimise the number of employees that we have on our payroll. The use of subcontractors also provides us with the ability to carry out more projects concurrently.

6.6.4.9 Process flow for the ELP Division

We are engaged by main contractors or M&E contractors as a subcontractor for ELP systems. As a subcontractor we work according to engineering designs provided by third parties. We use our in-house resources to carry out the procurement of materials, preparatory work and testing and commissioning. We engage subcontractors to carry out all installation works under our project management and supervision.

Our project implementation for the supply and installation of ELP systems follows the main contractor's progress. The typical project implementation period, from securing the contract to the handover of the system, typically require between 12 months to 36 months.

Our general process flow for ELP Division is depicted in the diagram below:



(i) Secure contract

We secure our contracts either through competitive bidding or direct negotiation with our customers.

(ii) Preparatory work

Our in-house personnel will carry out preparatory work involving creating the shop drawings and work method statements that will be used to guide the installation works.

(iii) Procure materials

We are responsible for sourcing and procuring the ELP components and materials including rods, conductors, plates, surge protection devices and other materials. The procurement functions that we normally carry out include:

- selection and procurement of components and materials based on the project requirements.
- quality management of the purchased materials including inspection and testing of some products undertaken in-house.

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

(iv) Install system

We are responsible for installing the ELP system and to integrate it with the building's overall electrical system. The ELP system is installed according to the approved shop drawings from the main contractor. The progress of our ELP system installation works is dependent on the building's overall construction works, and we typically work according to the progress of the building construction, as determined by the main contractor. We will carry out installation in accordance with the main contractor's work schedule.

The installation works that we usually carry out to develop the ELP system typically includes the following:

- installing the earth electrode, which is a conductor that is buried in the earth. In projects where pile cap electrodes are used, we will weld the earth leads to the reinforced bars that have been installed in the ground to form the building or structure's foundation. In projects where plate earthing, rod earthing, or mesh earthing are used, we will bury the respective plates, rods or mesh in the ground, and weld the earth lead to the conductor. We will also mix the earth enhancement compound into the ground where they are used;
- installing the earth lead, which forms the main connection between the building or structure's power system to the earth electrode. These comprise insulated tape, rod or stranded cable conductors that form the main connection between the building or structure's power system to the earth electrode; and
- installing lightning protection system components. These include the lightning rods on the roof; roof conductors that connect the lightning rods to one another and to the down conductors. In projects where the steel frame of the building is used as the down conductor, we will connect the roof conductor to the steel frame of the building. In projects where external down conductors are used, we will install the conductors to the outside of the building, and connect the roof conductors to the down conductors.

We engage subcontractors to carry out all installation works under our project management and supervision. This is to ensure that technical specifications are met and that work is carried out in accordance with our work and safety procedures and practices.

(v) Testing and handover

Part of our scope of work includes testing the installed ELP system. The testing works are carried out by our in-house technician jointly with independent inspectors or representatives from the relevant power utility company where required. The objectives of testing include the following:

- ensure that all of the components are installed in accordance with the relevant technical drawings and specifications. The ELP system must be connected to the earth electrodes with no breaks in between;
- ensure compliance with relevant local regulations and international standards;
- verify that the installed ELP system performs to its design specifications;
- ensure that the ELP system is properly integrated with the building's overall electrical system; and
- compile and document test and performance data.

6. INFORMATION ON OUR GROUP (Cont'd)

The ELP system is then handed over to our customer after successful testing is completed. We will provide our customers with as-built drawings, operational manuals and other relevant documentation.

After the handover, we do not provide maintenance services for the ELP systems that we supply and install.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.6.4.10 Completed ELP projects

The list of our completed ELP projects for the since FYE 2010 and up the LPD, with a contract value of RM2.0 million and above are summarised in the following table:

Customer	Location(s)	Types of Structure	Contract Value ⁽¹⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
Jaks Sdn Bhd	Ara Damansara, Selangor	Commercial building	2,500	December 2011	March 2014
WCT Construction Sdn Bhd	Pengerang, Johor	Industrial and substations	6,898	March 2016	September 2019
WCT Construction Sdn Bhd	Telok Panglima Garang, Selangor	LRT 3 Depot (Phase 1)	3,100	June 2017	June 2019
Trans Resources Corporation Sdn Bhd	Sungai Buloh, Selangor	Additional works to MRT 2 Sungai Buloh Maintenance Depot	2,791	September 2016	May 2018

Notes:

- ⁽¹⁾ Contract value includes variation orders, if there are any.
- ⁽²⁾ The start date is based on the letter of award and/or commencement date as agreed with the customer.
- ⁽³⁾ The completion date is based on the issuance of final claims, acceptance of handover by the customer and/or CPC.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.4.11 On-going ELP projects

As at the LPD, the list of some of our on-going ELP projects with a contract value of RM2.0 million and above are summarised in the following table:

Customer	Location	Types of Structure	Contract Value ⁽¹⁾ (RM'000)	Start Date ⁽²⁾	Completion Date ⁽³⁾
Letrikon M&E Sdn Bhd	Kuala Lumpur	Merdeka 118 Tower	3,600	November 2016	June 2022
Acre Works Sdn Bhd	Cyberjaya	MRT 2 stations	2,100	October 2017	June 2021
Kay Corporation Sdn Bhd	Seri Kembangan, Selangor	MRT 2 viaduct guideways	2,090	September 2017	December 2021
Sunway Construction Sdn Bhd	Klang, Selangor	LRT 3 guideways	4,090	December 2017	November 2022
Transient Engineering Sdn Bhd	Telok Panglima Garang, Selangor	LRT 3 Depot (Phase 2)	2,736	December 2017	February 2022
Trans Resources Corporation Sdn Bhd	Serdang, Selangor	MRT 2 Serdang Maintenance Depot, external works	5,252	September 2018	June 2021
Acre Works Sdn Bhd	Cyberjaya	MRT 2 stations - 16 Sierra and Cyberjaya North	2,088	March 2019	June 2021
Ikhmas Jaya Sdn Bhd	Klang, Selangor	LRT 3 guideway and station	4,627	August 2019	August 2021
Sunway Construction Sdn Bhd	Klang, Selangor	LRT 3 station – Taman Andalas	3,588	September 2020	December 2021

Notes:

(1) Contract value includes variation orders, if there are any.

(2) The start date is based on the letter of award and/or commencement date as agreed with the customer.

(3) The estimated completion date.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.5 Trading Division

6.6.5.1 Overview

We are a distributor of the following types of electrical products and accessories:

- ELP products and accessories;
- Solar PV related products;
- Surge protection devices; and
- Aviation warning light systems.

We distribute our own brands, as well as third party brands based on authorised distributorships. The Trading Division is synergistic to our Solar Division and ELP Division as these divisions also use these products. Some of the products are denominated in foreign currencies. In addition, products which are sourced from local suppliers are also subject to foreign currency fluctuation as it may be imported by our local suppliers. The revenue from this business activity is derived from sales to external customers.

For the past FYEs, our revenue contributions segmented by product categories are as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
ELP related products	9,664	39.0	21,900	70.0	17,616	58.2	14,601	54.0
Solar PV related products	9,287	37.5	3,479	11.1	9,195	30.3	7,107	26.3
Surge protection devices	5,111	20.6	5,630	18.0	3,328	11.0	4,789	17.7
Aviation warning light systems	722	2.9	281	0.9	149	0.5	544	2.0
	24,784	100.0	31,290	100.0	30,288	100.0	27,041	100.0

For the past FYEs, our revenue contribution segmented by third party brands and our brands is as follows:



Our electrical products and accessories are distributed by our wholly-owned subsidiaries, namely Pekat Engineering and E&LP Engineering.

6. INFORMATION ON OUR GROUP (Cont'd)

Pekat Engineering's operation is in the sales and marketing of all of Pekat Group's electrical products and accessories. Pekat Engineering also holds authorised distributorships for 3 third party brands from 3 principals, as follows:

Brand owner or principal	Brands	Products covered
Noark Electrics (Shanghai) Co Ltd	Noark	DC circuit breakers
Solare Datensysteme GmbH	Solar-Log	Solar PV monitoring system
Sungrow Power Supply Co Ltd	Sungrow	Inverters and energy storage system

Pekat Engineering is also involved in distributing the following brands and products:

Brands	Products covered
---------------	-------------------------

Our own brands

Pekat	ELP products and accessories, surge protection devices
PWeld	ELP products and accessories
LEDsystem	Aviation warning light systems

Third party brands

Studer	Inverters
Sungrow-Samsung SDI	Energy storage systems

E&LP Engineering holds the authorised distributorship of 2 third party brands, namely Furse and FurseWeld from 1 principal, as follows:

Brand owner or principal	Brands	Products covered
W J Furse & Co Limited	Furse, FurseWeld	ELP system conductors, connectors, lightning rods, accessories and exothermic welding systems.






The authorised distributorships held by Pekat Engineering and E&LP Engineering are not exclusive, and they are subject to annual renewal.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.5.2 Products

ELP products and accessories


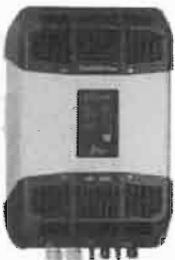



For the past FYEs, distribution of ELP related products accounted for the largest proportion of revenue for the distribution of electrical products and accessories. Our ELP related products mainly comprise the following:

Products and accessories	Description		Brands distributed
Conductors	Conducts unintended electric current caused by electrical faults or lightning safely to earth.		(1) Pekat (2) Furse
Connectors	A range of clips and clamps used to attach conductors and lightning rods to buildings and to create joints between overlapping conductors.		(1) Pekat (2) Furse
Lightning rods and accessories	A metallic rod placed at the top of buildings and facilities to intercept lightning and to channel the lightning safely to earth. Accessories include rod bases and strike pads which form part of a lightning protection system.		(1) Pekat (2) Furse
Earth bars	Device used to provide a common earthing point for electrical installations that require ELP system.		(1) Pekat (2) Furse
Exothermic welding systems	A portable self-contained welding system that does not require external heat or power source. It is used to weld together 2 conductors to create the electrical joint.		(1) PWeld (2) FurseWeld

Note: "Pekat" and "PWeld" are our own brands.

6. INFORMATION ON OUR GROUP (Cont'd)**Solar PV related products**



Our solar PV related products comprise the following:

Products	Description		Brands distributed
Inverters	Converts direct current to alternating current.		Sungrow
			Studer
Solar PV monitoring systems	Remotely monitors the power generated by and performance of solar PV facilities. The hardware is installed on-site and software application communicates with the control and monitoring centre through the internet.		Solar-Log
Energy storage systems	System comprising battery pack and charge controller to store power for use when there is little or no sunlight.		Sungrow-Samsung SDI
DC circuit breakers	Designed to protect an electrical system by breaking the electrical circuit to prevent further flow of electricity.		Noark

6. INFORMATION ON OUR GROUP (Cont'd)

Surge Protection Devices


We distribute our own brand and third party brand of surge protection devices as follows:

Products	Description	Brands distributed
Surge protection devices	Designed to protect electrical and electronic appliances, equipment and machinery connected to an electrical circuit by automatically diverting electrical surges safely to earth.	Pekat
		
		Furse

Note: "Pekat" is our brand.

Aviation warning lighting systems

We distribute our own brand of aviation warning lighting systems:

Products	Description	Brands distributed
Aviation warning lighting systems	Used to indicate the presence of buildings or structures as a warning to aircraft.	LEDsystem
		

Note: "LEDsystem" is our brand.

6.6.5.3 Authorised distributorships for third party brands

Through E&LP Engineering and Pekat Engineering, we are authorised distributor for the following brands.

E&LP Engineering

Brand owner or principal	Brands	Territory	Products covered	Validity period	Revenue for FYE 2020 (RM' million)
W J Furse & Co Limited (member of ABB Group)	Furse, FurseWeld	Malaysia	ELP system conductors, connectors, lightning rods, accessories and exothermic welding systems.	17 November 2020 to 31 December 2021	11.2

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

Brand owner or principal	Brands	Territory	Products covered	Validity period	Revenue for FYE 2020 (RM' million)
Noark Electrics (Shanghai) Co Ltd	Noark	Malaysia	DC circuit breakers	1 January 2021 to 31 December 2022	0.1
Solare Datensysteme GmbH	Solar-Log	Malaysia	Solar PV monitoring system	From 15 March 2020 (with no expiry)	0.2
Sungrow Power Supply Co Ltd	Sungrow	Malaysia	Inverters and energy storage system	25 February 2020 to 24 February 2022	6.5

6.6.5.4 Our brand products**(i) Our brands**

Through Pekat Engineering, we have a range of electrical products and accessories distributed under our "Pekat", "PWeld" and "LEDsystem" brands. We use some of our brand products in some of the ELP systems and solar PV facilities that we install. In addition, Pekat Engineering carries out sales and marketing of these devices to our customers.

We engage third party manufacturers to produce these products for us based on our specifications and quality control. Our brands of electrical products and accessories and the third party manufacturers that produce them are summarised in the following table:

Our brands	Products	Manufacturer's name (Location)	Length of relationship as at the LPD Years	Revenue for FYE 2020 (RM' million)
Pekat	Surge protection devices	<ul style="list-style-type: none"> PTG Corporation (China) Shenzen Lebos Technology Co Ltd (China) 	6 14	3.9
Pekat	ELP conductors and accessories	<ul style="list-style-type: none"> Ram Ratna International RR Kabel Ltd (India) 	9	3.3
PWeld	Exothermic welding systems	<ul style="list-style-type: none"> Duval-Messian (Nanning) High Tech for Lightning Protection Co Ltd (China) 	3	0.1
LEDsystem	Aviation warning light systems	<ul style="list-style-type: none"> Shenzhen Star Standard Co Ltd (China) 	5	0.5

(ii) Third party manufacturers

The third party manufacturers will design the product based on our specifications, including the level of performance, standards or references that have to be met, dimensions and aesthetics. They will start with producing prototypes which we will carry out reviews and subject them to tests. We will provide our feedback to the third party manufacturer for them to improve on the product.

6. INFORMATION ON OUR GROUP (Cont'd)

This process continues until we are satisfied that all aspects of the product including design, performance and compliance to standards, references and specifications. Finally, the product is independently tested to certify that it meets with the relevant standards or references.

After the product has been accepted by us and independently certified to the relevant standards or references, the third party manufacturer will manufacture the product for us, as and when we place orders.

(iii) Own brand product tests and standards

Our own brand products are independently tested to certify that they meet with the relevant standards and references, as summarised in the following table:

Our brands	Products	Certifying bodies	Standards/References
Pekat	Surge protection devices	<ul style="list-style-type: none"> • SIRIM • TÜV • Intertek 	<ul style="list-style-type: none"> • International Electrotechnical Commission (IEC) - standard
Pekat	ELP conductors and accessories	<ul style="list-style-type: none"> • SIRIM 	<ul style="list-style-type: none"> • International Electrotechnical Commission (IEC) - standard
PWeld	Exothermic welding systems	<ul style="list-style-type: none"> • Not applicable 	<ul style="list-style-type: none"> • Not applicable
LEDsystem	Aviation warning light systems	<ul style="list-style-type: none"> • SIRIM 	<ul style="list-style-type: none"> • Civil Aviation Authority of Malaysia (CAAM) - reference • International Civil Aviation Organisation (ICAO) - reference

Notes:

SIRIM	SIRIM Berhad, an agency under MITI.
TÜV	TÜV Rheinland, which is part of a group of German and Austrian businesses that provide independent product testing and certification services.
Intertek	Intertek Group plc, which is a British-based independent product certification and testing company.

(iv) Quality control

We will conduct quality control on our brand products that we receive from the third party manufacturers. These include inspection of all goods received to ensure that they are in accordance with the products that we have ordered and we carry out sample functional tests to ensure that they are functioning properly. Any defects that we identify are notified to the respective third party manufacturer and are replaced.

6. INFORMATION ON OUR GROUP (Cont'd)

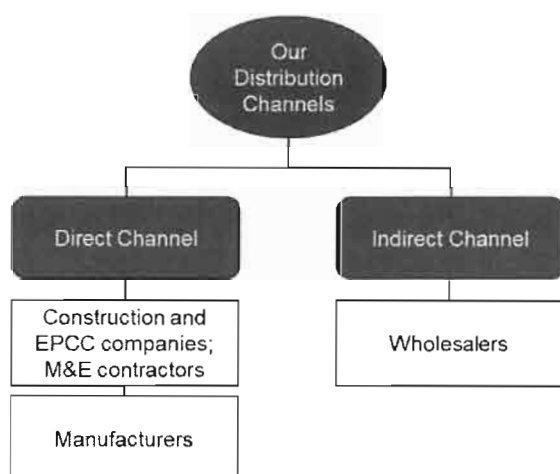
6.6.5.5 Mode of operations

Our sales of electrical products and accessories are based on purchase orders. Once we have the confirmed purchase orders, we will pick and pack them from our warehouse and deliver them to our customers.

A small proportion of our sales are from walk-in customers where purchase orders are generated on the spot.

6.6.5.6 Distribution channels and main customers

Our distribution channel and main customers for our Trading Division are as depicted in the diagram below:



EPCC = Engineering, procurement, construction and commissioning. M&E = Mechanical and electrical.

- We adopt a direct distribution channel where our customers are users of our products which include the following:
 - Construction and EPCC companies and M&E contractors.

Our products are mainly used in buildings, structures, facilities or infrastructure that require earthing and/or protection from lightning strikes.

 - Manufacturers that use our products to be incorporated into their products such as switchgears, control panels or other electrical equipment.
- We also use indirect distribution channel where our customers are wholesalers who would resell our products.

Our indirect distribution channel enables our products to reach a wider market coverage as they are eventually sold to customers of the wholesalers who buy our products.

6. INFORMATION ON OUR GROUP (Cont'd)

6.6.5.7 Product warranty

We provide product warranty for the electrical products and accessories that we distribute. The product warranty periods for our brands and third party brands are as follows:

Our brands	Products	Warranty period (years)
Pekat	Surge protection devices as well as ELP conductors and connectors, lightning rods and accessories, earth bars	2
PWeld	Exothermic welding systems	Not applicable*
LEDsystem	Aviation warning light systems	2
Authorised distributor brands	Products	Warranty period (years)
Furse	ELP conductors and accessories	2
	Surge production devices	1
FurseWeld	Exothermic welding systems	Not applicable*
Solar-Log	Solar PV monitoring systems	2
Sungrow	Inverters	5
Noark	DC circuit breakers	2

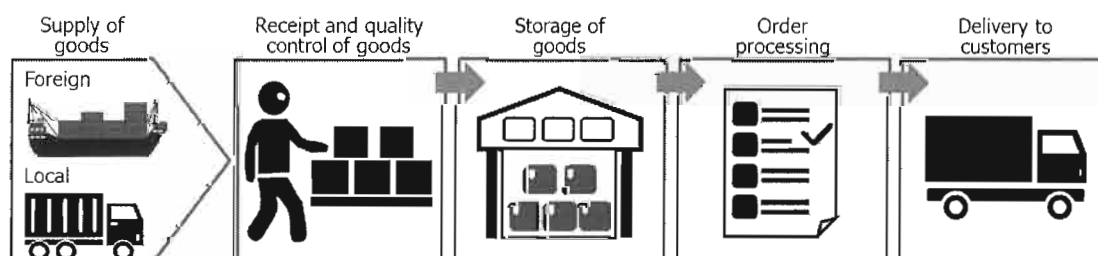
Note:

* No warranty is provided for the exothermic welding systems distributed by us as welding systems are consumables.

For our brands of products (save for PWeld exothermic welding systems), we have back-to-back arrangement with our manufacturers. For third party brand products (save for FurseWeld exothermic welding systems), we have back-to-back arrangement with our principals. For the past FYEs and up to the LPD, we have not had any material claims relating to product warranties for our Trading Division.

6.6.5.8 Process flow for the Trading Division

Our general process flow for the Trading Division is depicted in the following diagram:



6. INFORMATION ON OUR GROUP (Cont'd)**(i) Supply of goods**

We purchase our goods from third party brand suppliers, or from the third party manufacturers of our own brands. Goods that originate in foreign countries go through overseas customs clearance when exported from their country of origin and any applicable export duties and tariffs are paid. Upon arrival in Malaysia, the electrical products and accessories go through Malaysia customs clearance and any applicable import duties and tariffs are paid. These goods are then transported to our warehouse. Goods that originate from Malaysia are normally transported from the manufacturer's factories or supplier's warehouse or distribution centres to our warehouse.

(ii) Receipt and quality control of goods

We receive the goods at our warehouse where they go through inspection and quality control. They include visual inspection, functional tests to detect faulty products and performance tests to verify that products perform in accordance with specifications. The level of quality control inspection and testing ranges from random sampling of a specific percentage of the products received, to full inspection of all received products. The type and level of quality control inspection will vary and depend on the type of electrical products and accessories involved.

(iii) Storage

The goods that have successfully passed inspection and quality control are entered as inventory into our computerised system. The goods are then sorted and stored in the appropriate section or bin locations of our warehouse.

(iv) Order processing

Upon confirmation of purchase orders from customers, we will first check if we have stocks, as we normally carry stocks of commonly purchased electrical products and accessories. If we do not have the required goods in stock, we will place orders for them to our suppliers. We will also place orders when we run low on goods in our inventory.

We also receive customer enquiries from walk-in customers at our head office or through calls and emails received by our marketing department. The customer enquiry will contain an itemised list of the items, types and quantities required. Our marketing department will review the customer enquiry and prepare a quotation for the customer. If the customer does not accept the quotation, we may amend the quotation and negotiate with the customer. If the customer accepts the quotation, the customer will issue a purchase order to us with a list of the items desired, quantity and price. We will issue a sales order to the customer, which includes a list of the items ordered, quantity, price and payment terms.

We then generate a sales order with an itemised list of the items ordered by the customer, as reflected in the purchase order or accepted quotation. The items ordered by the customer are picked from our inventory in accordance with the sales order.

6. INFORMATION ON OUR GROUP (Cont'd)**(v) Delivery to customers**

Customers have the option of picking up their orders at our warehouse or have their orders delivered to their choice of locations.

Upon receipt of goods, the customers will sign and stamp the sales order as proof of delivery. Our account managers are required to manage collections from their respective assigned customers and are responsible for conducting periodic review of their assigned customers' credit limit and purchasing terms.

6.6.6 Capacity and utilisation

Measurements of capacity and utilisation do not apply to our Solar Division and ELP Division, as the activities of these divisions are carried out at the customers' sites.

However, for our Trading Division, we use our warehouse in Cubic Space Office with total floor space of 11,800 sq ft and racking space of 4,675 sq ft to store our products. We use a combination of floor space and racking system for storage. Our warehouse space utilisation rates in Cubic Space Office for the past FYEs and as at the LPD are as follows:

	Storage space capacity		Estimated space used	Utilisation rate
	Floor space	Raking space		
FYE 2017	11,800 sq ft	4,675 sq ft	9,800 sq ft	59.5%
FYE 2018	11,800 sq ft	4,675 sq ft	12,500 sq ft	75.8%
FYE 2019	11,800 sq ft	4,675 sq ft	14,200 sq ft	86.2%
FYE 2020	11,800 sq ft	4,675 sq ft	16,000 sq ft	97.1%
As at the LPD	11,800 sq ft	4,675 sq ft	16,320 sq ft	99.1%

We also rented 2 factory units located at I-PARC, Shah Alam, Selangor to store our inventory from December 2018 to March 2019 with a total floor space of 2,200 sq ft.

6.6.7 Key machinery and equipment

We do not utilise any specialised machinery and equipment for our business operations.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.7 INTERRUPTIONS TO BUSINESS AND OPERATIONS

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

(i) Impact on our business operations

MCO

The Government implemented the MCO from 18 March 2020 to 3 May 2020. The measures under the MCO included, among others, the closure of all businesses except for those classified as "essential services" or that have received written approval to operate from the MITI, restrictions on the movement of people within Malaysia and restrictions on international travel to and from Malaysia.

We closed our office and stopped work at all of our subsisting work sites on 18 March 2020 and our staff worked from home. Pekat E&LP subsequently received written approval from MITI to resume operations at some specific work sites during the MCO period. We experienced some disruptions to our business operations during the MCO period, which are summarised as follows:

- We stopped all subsisting operations at the work sites of both our solar PV projects and ELP projects on 18 March 2020.
- Pekat E&LP applied for written approval from MITI to resume operations at specific installation sites, received written approvals on 21 April 2020 and resumed work at specific work sites commencing on 27 April 2020. Pekat E&LP subsequently received written approvals and returned to work at other specific work sites on a progressive basis. As part of Pekat E&LP's guidelines and standard operating procedures ("SOP") to operate, only specified staff were allowed to travel from their respective residences to their offices or installation sites and the number of staff at each installation site was reduced by 50.0% of the pre-MCO level, which resulted in some slowdown of installation at their respective sites.
- Our Solar Division and Trading Division were temporarily suspended during the MCO period.

Notwithstanding the closure of our head office during this MCO period, there were no cancellation or suspension of any contracts or purchase orders.

Conditional MCO ("CMCO")

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

6. INFORMATION ON OUR GROUP (Cont'd)

Our business operations during the CMCO period were as follows:

- Pekat E&LP staff at ELP system work sites continued to operate according to guidelines and SOP that we adhered to during the MCO period.
- Pekat Solar staff returned to our solar PV facilities work sites during the CMCO period. Our staff operated according to guidelines and SOP, including only specified staff were allowed to travel from their respective residences to their offices or installation sites, and the number of staff at each installation site was reduced by 50.0% of the pre-MCO level, which resulted in some slowdown of installation at their respective sites.
- Our Trading Division resumed operations with the reopening of our head office from 6 May 2020.
- Our head office reopened and staff returned from 6 May 2020, while adhering to guidelines and SOP, including the following:
 - Staff who have their own rooms and specified personnel are allowed to work at the office on all working days.
 - Staff who work in shared spaces are divided into 2 groups of equal size (Team A and Team B) and work in the office on a staggered basis. Team A worked at the office for half the working week, while Team B worked from home. Their working arrangements were reversed for the following half of the working week.

While we experienced some reduction in our Group's business activity during the CMCO period, the reduction was to a lesser extent compared to the MCO period.

Recovery MCO ("RMCO")

The CMCO was followed by the RMCO from 10 June 2020 to 31 December 2020. Starting from 10 June 2020, almost all economic sectors are allowed to resume provided that they follow specified guidelines and SOP. The movement of people within Malaysia was further relaxed, although restrictions on international travel remained the same as during the CMCO period.

Most of the restrictions on our business operations have been lifted from 10 June 2020 onwards, as follows:

- We are no longer required to limit the number of our staff at each installation site and the number of staff at the respective solar PV facilities and ELP systems installation sites returned to their pre-MCO levels.
- The number of staff for our Trading Division returned to pre-MCO levels as all staff were allowed to return to the warehouse.
- All of our office staff were allowed to return to the office.

6. INFORMATION ON OUR GROUP (Cont'd)**Reimposition of CMCO in Targeted Areas**

CMCO conditions were reimposed in Selangor, Kuala Lumpur, Putrajaya, Sabah, and Labuan from 14 October 2020 to 9 November 2020. The control measures implemented in these areas included, among others, restrictions on the movement of people including prohibition of inter-district travel, limiting the operating hours of certain service-based businesses, closure of schools and encourage work from home.

While the reimposition of CMCO covers our head office, there has been no material impact on operations in our head office. Although our office staff were allowed to return to the office, many of them were working from home. We manage our head office functions through virtual meetings. Our operational software, including our accounting, human resources and data storage, are cloud based and thus accessible by our staff from home. In addition, there has been no impact on our installation of solar PV facilities and ELP systems work sites, as our staff are allowed to travel to their respective work sites after obtaining the written approval from the police.

Reimposition of MCO, CMCO and RMC0

MCO conditions were reimposed from 13 January 2021, and subsequently transitioned to CMCO or RMC0 depending on state. Subsequently, following increases in the number of new Covid-19 cases, the third MCO was reimposed in Kelantan from 16 April 2021, followed by 6 districts in Selangor which started from 6 May 2021 as well as Kuala Lumpur and several districts and mukims in Terengganu, Johor and Perak from 7 May 2021. On 10 May 2021, the Government announced the nationwide reimposition of MCO starting from 12 May 2021 to 7 June 2021. The control measures implemented in these areas included, among others, restrictions on or prohibition of interstate and/or inter-district travel, and social gatherings. As installation of solar PV facilities and ELP systems are classified under construction sector activities, installation work is allowed to proceed provided that stricter standard operating procedures (SOP) are followed.

Our installation works at worksites for solar PV facility and ELP system projects proceeded according to schedule, with work carried out in accordance with stricter SOP to minimise the risk of Covid-19 transmission at worksites. Our Group provides all staff and sub-contracted workers at all worksites with personal protective equipment (PPE), which is required to be used at the worksites.

In accordance with SOP implemented by the main contractors of the MRT and LRT projects, the foreign workers (supervisors, workers and sub-contracted workers) assigned to install ELP systems at worksites for these projects are required to undergo Covid-19 tests every 2 weeks. The Covid-19 tests are carried out on foreign workers twice-weekly at these projects as they involve large numbers of workers from different contractors and sub-contractors working together at the same worksites. The foreign workers assigned to install solar PV facilities and ELP systems at other project worksites, where normally fewer workers are working together at the same time, are required to present a certificate of negative Covid-19 test result before they are allowed to enter the worksites.

For our Trading Division, the business operations have not been materially affected by the recent MCO. Our Trading Division operations at our head office and warehouse continue in accordance with the stricter SOP. We continue to receive purchase orders from customers to supply ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.

6. INFORMATION ON OUR GROUP (Cont'd)

Our head office operations are on-going with in accordance with stricter SOP. Our Group has discontinued face-to-face meetings with prospective customers, and all sales and marketing engagements with prospective customers for new projects and tenders are conducted via tele-conferencing or video-conferencing.

Cancellation, Suspension or Delay of Contracts and Orders

From 18 March 2020 up to the LPD, we did not receive any cancellation or suspension of any contracts or purchase orders.

We have written to our customers for extension of time to implement on-going projects that have been delayed by the work stoppages and slowdown during the MCO and CMCO periods and we have received verbal and written responses from all of our customers. Following the gazettement and coming into force of the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 on 23 October 2020 (which is applicable to our Group as all of our solar PV and ELP projects fall under the category of construction work contract under the Schedule of COVID-19 Act), if we are unable to complete our projects in time due to the MCO, our customers will not be able to claim liquidated ascertained damages and/or terminate the contract between us. The temporary measure was initially in place up to 31 December 2020 and was extended to 31 March 2021. The Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) (Extension of Operation) Order 2021 states that such temporary measure will extend until 30 June 2021. From March 2020 to the LPD, none of our customers have made claims against the Group for delays or failure to complete projects due to Covid-19.

We did not experience any shortages in the supply of solar PV panels and balance of system that disrupted our Solar Division during the MCO, CMCO and RMCO periods, as we had sufficient inventory of these goods. Similarly, we had sufficient inventory of ELP related products and our ELP Division and Trading Division were not disrupted due to shortages of materials during these periods.

(ii) Impact on our business cash flows, liquidity, financial position and financial performance

We experienced disruptions to our Solar Division and ELP Division due to stoppages at our installation sites and reduced installation site staffing levels, as summarised in the following table:

	Solar Division	ELP Division
Work site stoppage	18 March 2020 to 6 May 2020	18 March 2020 to 26 April 2020
Reduction in work site staff levels	7 May 2020 to 9 June 2020	27 April 2020 to 9 June 2020

These disruptions have affected our project implementation and billing schedules for some of our on-going solar PV and ELP projects. The implementation of projects amounting to RM9.8 million and RM2.2 million in revenue for our Solar Division and ELP Division, respectively was deferred from the 1st half of 2020 to the 2nd half of 2020, and consequently the corresponding revenue recognition was also deferred from the 1st half of 2020 to the 2nd half of 2020. RM3.5 million in revenue for our Solar Division and RM2.2 million in revenue for our ELP Division was deferred from fourth quarter of 2020 to second quarter of 2021.

We experienced some disruption to our Trading Division as the business activity was suspended when our head office was closed from 18 March 2020 to 5 May 2020, and

6. INFORMATION ON OUR GROUP (Cont'd)

resumed from 6 May 2020. During this period, we had ceased our sales activities for our Trading Division and ceased our product deliveries. However, none of the purchase orders that we had received prior to 18 March 2020 were cancelled.

As at the LPD, we have cash and bank balances of approximately RM13.1 million and banking facilities (not including lease liabilities) up to a limit of RM79.5 million, of which RM49.8 million have not been utilised. Our Board is confident that our working capital will be sufficient for our operating expenditure and will sustain our business, after taking into account our cash and bank balances and banking facilities that are currently available to our Group.

During the MCO when our operations were fully halted, we incurred a total expense of RM3.0 million. These expenses incurred include Directors and staff salaries (RM2.6 million) and rental and upkeep of office (RM0.2 million) and other expenses (RM0.2 million). In FYE 2020, we received wage subsidy amounting to RM0.4 million from the Government under the Wage Subsidy Programme implemented by the Government due to Covid-19 pandemic. As part of our efforts to reduce our expenses and preserve our cash, we did not pay any bonus to our employees in FYE 2020. This has resulted in a decrease in Directors' remuneration and staff costs by RM2.0 million as compared to FYE 2019.

Nevertheless, save for the deferment of RM3.5 million in revenue for our Solar Division and RM2.2 million in revenue for our ELP Division from fourth quarter of 2020 to second quarter of 2021, there are no other financial impact for FYE 2020.

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

Based on the above, we do not expect any material adverse effects to our cash flow, liquidity, financial position and financial performance from the impact of Covid-19.

(iii) Impact to our business and earning prospects

We do not expect any material impact to our business and earning prospects. As at the LPD, our order book comprised unbilled contracts amounting to a total of RM154.9 million and purchase orders for our Trading Division of RM12.4 million. Our earning prospects are dependent on our ability to continuously secure new projects and purchase orders.

(iv) Strategy and steps taken to address the impact of Covid-19

We have adopted the Government's guidelines and SOP to minimise the risk of Covid-19 to our staff and business operations. The steps that we have taken in our business operations in response to Covid-19 include the following:

- All staff and visitors are required to pass a temperature check and record the result, provide their contact information and wear a face mask before they are allowed to enter our office. They must wear a face covering and practice social distancing while they are at the office.
- All staff reporting for work at installation sites must pass a temperature check and record the result, provide their contact information and wear a face covering before they are allowed to enter the site. While they are at the site, they must wear a face covering at all times and maintain social distancing whenever possible.

6. INFORMATION ON OUR GROUP (Cont'd)

We have not breached any laws relating to Covid-19 restrictions. The contingency plans that we have in place in the event that one or more of our employees are tested positive for Covid-19 include the following:

- Site employees are not allowed to return to our head office, and all of their interactions with our head office staff are through virtual meetings.
- Employees who test positive for Covid-19 are required to quarantine themselves until they receive a negative test for Covid-19.

(v) Covid-19 cases within our Group

On 27 January 2021, we were informed that 2 sales and marketing employees of Pekat Engineering who are based at our head office received positive diagnosis for Covid-19. Upon receiving this information, we took the following steps:

- The 2 affected employees were instructed to self-quarantine and were not allowed to return to our head office.
- We conducted contact tracing and identified a total of 40 close contacts of the two affected employees. All of these close contacts were instructed to self-quarantine and work from home for 14 days, and are only allowed to return to the head office from 10 February 2021.
- All 40 of the close contacts underwent Covid-19 diagnostic tests. The results of these tests were as follows:
 - 1 additional employee received a positive diagnosis for Covid-19 on 28 January 2021, and this employee was instructed to self-quarantine and is not allowed to return to our head office.
 - The other 39 employees received negative test results for Covid-19.
- Other employees who did not have close contact with the two affected employees were instructed to work from home, and only allowed to return to the head office on 1 February 2021.
- We closed our head office and warehouse from 27 January 2021 to 1 February 2021. Employees were only allowed to enter the premises, one at a time, to collect belongings or items required for work.
- We disinfected our head office and warehouse on 27 January 2021.

The 3 employees who have received positive diagnosis for Covid-19 were required to conduct a second Covid-19 diagnostic test on 5 February 2021. All 3 employees received a negative test result and obtained their Clearance or Discharge Letter from the Ministry of Health Malaysia by 8 February 2021. They were allowed to return to the head office on 18 February 2021.

We paid for all of the Covid-19 diagnostic tests that were administered to the 40 close contacts, and the total costs of these tests was approximately RM12,000.

The closure of our head office between 27 January 2021 and 1 February 2021 did not result in any material disruption to our business operations.

Moving forward, we will disinfect our head office and warehouse on a weekly basis.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8 COMPETITIVE STRENGTHS

6.8.1 We have diverse business activities to provide growth opportunities while minimising dependency on any 1 sector or single group of customers

Our business is supported by 3 major revenue streams from Solar Division, ELP Division and Trading Division, which respectively accounted for 57.4%, 21.0% and 21.6% of our total revenue for FYE 2020. Each of these business activities have their own customer base to provide business growth and opportunities, as well as diversification to minimise over dependency on any single group of customers.

6.8.2 Our 3 main business areas are synergistic to support our business

Our Trading Division provides synergistic benefits to our Solar Division and ELP Division. This is because the 2 divisions also use some of the electrical products and accessories for their respective projects such as the following:

- for solar PV facilities, we use solar inverters, surge protection devices, solar PV monitoring system, energy storage system and DC circuit breakers; and
- for ELP systems, we use surge protection devices, DC circuit breakers, conductors, connectors, lightning rods and accessories, earth bars and exothermic welding system.

In addition, as we are users of our own electrical products and accessories in projects, we have the experience and expertise in using these products which serves as a platform to provide technical advice on their selection and usage to existing and potential customers of our electrical products and accessories. This is our key differentiation and competitive advantage compared to distributors that do not have practical experience and expertise in using them in projects.

The synergistic benefits among our 3 business segments also include our ability to purchase electrical products and accessories for our solar PV and ELP system projects at wholesale price. This provides us with a cost advantage compared to other companies that have to buy their products from third parties.

6.8.3 We have experience in the design, supply and installation of solar PV systems and power plants that enable us to address different segments of the solar PV market

For the past FYEs and up to the LPD, the installed capacities of the contracts under the Solar Division that we have installed totalled 66.4 MWp.

Our expertise extends from solar PV systems with installed capacity of less than 1.0 MWp, to solar PV power plants with an installed capacity of 1.0 MWp or more.

The installation of solar PV power plants involve more complex engineering and design due to the greater number of solar PV panels and complex balance of system required to handle the larger quantity of power generated. Some of these solar PV power plants also include interconnection to a power transmission substation. Our first design, supply and installation of a solar PV farm was located at Tok Bali, Pasir Puteh, Kelantan with installed capacity of 1.0 MWp and it was completed in 2013. This project had ground mounted solar PV panels and balance of system with interconnection to a power grid substation. Since then we have also carried out the design, supply and installation a solar PV power plant under the LSS 2 programme. Our experience in completing these projects provides us with the platform to bid for the design, supply and installation of LSS and other solar PV power plants.

6. INFORMATION ON OUR GROUP (Cont'd)

As for the design, supply and installation of solar PV systems, we have undertaken installation for industrial, commercial, residential and community properties.

Our focus and strength have been on solar PV facilities for industrial and commercial properties. During the past FYEs and up to the LPD, the cumulative installed capacity was 41.7 MWp for industrial properties and 17.3 MWp for commercial properties, which represented 62.9% and 26.0% respectively of the total installed capacity of all solar PV facility contracts.

Our experience in carrying out the design, supply and installation solar PV power plants and solar PV systems, as well as for industrial, commercial, residential and community properties and infrastructures will provide us with wide potential opportunities to sustain and grow our business.

6.8.4 We have carried out both government and privately funded design, supply and installation of solar PV facilities

We have carried out the design, supply and installation of solar PV facilities that have been financed by the Government, including under the MySuria and SARES programmes. We have also carried out privately funded projects by solar PV facility owners and investors and building owners.

Our track record in implementing both government and privately funded solar PV facilities shows that we can meet the requirements of both government and private markets to provide our business with opportunities and growth. It also provides mitigation against dependency on only 1 sector of the market.

6.8.5 We have an established track record of 11 to 22 years to serve as a platform for business sustainability and growth

We have a track record of approximately 22 years in the distribution of electrical products and accessories, 21 years in the supply and installation of ELP systems and 11 years in the solar PV industry. Our established track record has facilitated the development and growth of our business and this is substantiated by revenue CAGR of 19.9% between FYE 2017 and FYE 2020. Our track record also serves as a reference to facilitate securing new customers to grow our business.

6.8.6 We have our own brands of electrical products and accessories

We distribute our brands of electrical products and accessories which are used as input materials in the installation of ELP systems. As at the LPD, our brands comprised the following:

- "Pekat" brand of surge protection devices, ELP conductors and accessories;
- "PWeld" brand of exothermic welding systems; and
- "LEDsystem" brand of aviation warning light systems.

While we distribute our brands of products to customers, we also use them as input materials for our Solar Division and ELP Division.

Developing our brands allow us to be in full control of our marketing including creating product differentiation, customer loyalty and brand awareness.

6. INFORMATION ON OUR GROUP (Cont'd)

6.8.7 We are authorised distributor for a range of electrical products and accessories

As at the LPD, we are an authorised distributor for 5 third party brands of electrical products and accessories namely Furse, FurseWeld, Noark, Solar-Log and Sungrow. As an authorised distributor, we benefit from the brand equity and customer loyalty developed by our principals, as well as their technical support, training for our personnel and product and technology updates where relevant.

As there are limited number of authorised distributors within Malaysia, we would be one of the authorised distributors that potential customers will seek if they require the products and the brands that we carry as authorised distributors.

6.8.8 We have an experienced key senior management and technical team to grow our business

We have an experienced key senior management team headed by Chin Soo Mau, our Managing Director, who has approximately 26 years of experience in the supply and installation of ELP systems and 11 years of experience in the solar PV industry. He is supported by our Executive Director, Tai Yee Chee, who has 25 years of experience in supply and installation of ELP systems and 11 years of experience in the solar PV industry and our Executive Director, Wee Chek Aik who brings with him 24 years of experience in the supply and installation of ELP systems and 11 years of experience in the solar PV industry.

Our management team also include the following key senior management:

- General Manager and Director of Pekat Solar, Chew Teik Siang with 17 years of experience with ELP systems and 11 years of experience in the solar PV industry;
- General Manager and Director of Pekat E&LP, Wong Boon Kwang with 9 years of experience in civil and structural works and 13 years of experience with ELP systems; and
- Chief Financial Officer, Oh Keng Jin, who has 27 years of experience in finance and accounting matters.

6.9 SEASONAL AND CYCLICAL EFFECTS

Our operations are not significantly affected by seasonal/cyclical effects our customers generally operate throughout the year, albeit marginal slowdowns during festive periods due to higher number of workforce going on leave for festive celebration. Nevertheless, the impact of the marginal slowdown is not significant to our Group.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.10 TYPES, SOURCES AND AVAILABILITY OF INPUT MATERIALS AND SERVICES**

The following are the major types of input materials and services that we purchased for our business operations for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020:

Input materials and services	Countries	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Input materials									
<u>Solar Division</u>		5,958	14.4	34,933	43.1	24,312	36.7	34,356	42.8
Solar PV modules	Malaysia and China	3,635	8.8	21,829	26.9	10,556	15.9	21,252	26.5
Inverters	China and Hong Kong	572	1.4	3,968	4.9	3,848	5.8	3,450	4.3
Energy storage systems	China	3	-*	1,333	1.7	4,690	7.1	3,111	3.9
Others ⁽¹⁾	Malaysia, China, Germany, and Switzerland	1,748	4.2	7,803	9.6	5,218	7.9	6,543	8.1
<u>ELP Division</u>		11,453	27.7	13,255	16.3	11,198	16.9	13,278	16.6
Conductors	United Kingdom	5,059	12.2	6,514	8.0	5,794	8.7	6,006	7.5
Cables	Malaysia and China	2,758	6.7	2,599	3.2	3,181	4.8	2,872	3.6
Others ⁽²⁾	Malaysia, India, China and United Kingdom	3,636	8.8	4,142	5.1	2,223	3.4	4,400	5.5
<u>Trading</u>		14,387	34.7	22,275	27.5	20,361	30.8	16,911	21.1
ELP related products	Malaysia, India, China and United Kingdom	5,992	14.4	16,811	20.7	12,634	19.1	9,548	11.9
Solar PV related products	Malaysia, China and Hong Kong	5,265	12.7	2,016	2.5	5,351	8.1	4,466	5.6
Surge protection devices	China	2,689	6.5	3,220	4.0	2,329	3.5	2,497	3.1
Aviation warning light systems	China	441	1.1	228	0.3	47	0.1	400	0.5
Services									
Subcontracted services	Malaysia	9,598	23.2	10,639	13.1	10,332	15.6	15,648	19.5
Total purchases		41,396	100.0	81,102	100.0	66,203	100.0	80,193	100.0

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

* Negligible.

(1) Comprises accessories, conductors, surge protection systems, cables, mounting structure, solar PV monitoring system and other balance of system.

(2) Comprises accessories, ELP products and accessories include lightning rods, exothermic welding systems and earth enhancing compound.

Our main purchase of input materials in the past 4 FYEs 2017 to 2020 were:

- (i) solar PV modules for our Solar Division where it accounts for 8.8% to 26.9% of our total purchases;
- (ii) conductors for our ELP Division where it accounts for 8.0% to 12.2% of our total purchases; and
- (iii) ELP related products for our Trading Division where it accounts for 11.9% to 20.7% of our total purchases.

Some of the input materials we purchase for our Solar Division, ELP Division and Trading Division, are denominated in foreign currencies. In addition, input materials which are sourced from local suppliers are also subject to foreign currency fluctuation as it may be imported by our local suppliers. These products include solar PV modules, inverters, energy storage systems, conductors, cables, surge protection devices, mounting structure, solar PV monitoring system, lightning rods, exothermic welding systems and earth enhancing compound as well as aviation warning light systems.

Price fluctuations in such materials caused by shortages and price volatility of our input materials, which are beyond our control, could result in increased cost of sales, thus affecting our financial performance should we fail to pass the increase in cost to our customers.

Nonetheless, we also distribute our brands of electrical products and accessories which are used as input materials where we maintain a stock level for up to 3 months. In addition, our suppliers regularly keep us abreast of the supply condition and price trend of our raw materials so we may be prepared for any price increase.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.11 SALES AND MARKETING

6.11.1 Solar Division

Our sales and marketing team for our Solar Division is headed by Wee Chek Aik, our Executive Director and comprises 9 dedicated sales and marketing personnel.

We offer a total solution to carry out all aspects of the design, supply and installation of solar PV facilities backed by our track record of approximately 11 years. This is supported by our offices and support centres located in Selangor, Johor and Penang to cover the central, southern and northern regions of Peninsular Malaysia respectively.

We also position ourselves as a distributor of some solar PV related products where we have ready access to some components, devices and equipment at wholesale prices as a distributor.

We have and will continue to participate in local networking events such as exhibitions, conventions and tradeshows to promote and market our design, supply and installation of solar PV facility business.

The events that we have participated since 2017 and up to the LPD included the following:

Year	Event	Location
2017	International Greentech & Eco Product Exhibition & Conference Malaysia 2017	Kuala Lumpur
2018	4th International Sustainable Energy Summit 2018	Sarawak
2019	Malaysian Photovoltaic Industry Association ("MPIA") Solar Roadshow 2019-2020	Penang, Kedah, Melaka and Johor
2019	ASEAN Super 8 (ASEAN M&E 2019)	Kuala Lumpur
2019	International Greentech & Eco Product Exhibition & Conference Malaysia 2019	Kuala Lumpur
2020	MPIA Solar Roadshow 2020-2021	Selangor and Ipoh

In addition, we play an active role in the MPIA where our participation in MPIA include, among others, the following:

- our Managing Director, Chin Soo Mau, was the Vice President from 2013 to 2016 and is the President of the MPIA since 2017; and
- we were a sponsor of MPIA Solar Roadshow 2019-2020 and 2020-2021.

As at the LPD, we advertise our design, supply and installation of solar PV systems and power plants business in 2 billboards in Selangor and Penang to create awareness for our business. We believe that these advertisements will allow us to reach our target customers and assist us to secure orders from potential customers.

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

6.11.2 ELP Division

Our sales and marketing team for our ELP Division is headed by Tai Yee Chee, our Executive Director and comprises 8 shared sales and marketing personnel for both ELP Division and Trading Division.

We position ourselves as a service provider with a track record of approximately 21 years in the industry and have carried out ELP systems for high rise buildings, facilities and infrastructure including those for the Pengerang Integrated Complex, MRT 2, LRT 3, Exchange 106 Tower and Merdeka 118 Tower. We also leverage from our potential cost advantage as we can purchase ELP related products at wholesale prices, as we distribute our own brand and are an authorised distributor of some third party brands of products.

We have participated in exhibitions, conventions and tradeshow to promote and market our supply and installation of ELP system business and we plan to continue to do so in the future. Since 2017 and up to the LPD the events that we have participated include the following:

Year	Event	Location
2017	International Greentech & Eco Product Exhibition & Conference Malaysia 2017	Kuala Lumpur
2019	ASEAN Super 8 (ASEAN M&E 2019)	Kuala Lumpur
2019	International Greentech & Eco Product Exhibition & Conference Malaysia 2019	Kuala Lumpur

6.11.3 Trading Division

Tai Yee Chee, our Executive Director, is also the head of our sales and marketing team for our Trading Division and the team comprises 8 shared sales and marketing personnel for both ELP Division and Trading Division as well as 3 dedicated sales and marketing personnel for the Trading Division.

We are authorised distributors of Furse, FurseWeld, Noark, Solar-Log and Sungrow electrical products and accessories, where we will be one of the first suppliers that customers would approach for these brands. In addition, we also carry our brands of products, namely "Pekat", "PWeld" and "LEDsystem," which are manufactured by third party manufacturers under our specifications and quality control.

We also position ourselves as a user of the products that we distribute, namely those used for solar PV facilities and ELP systems. As a user, we can provide technical advice based on our experience as a value-added service to drive purchases and increase customer loyalty from potential and existing customers. This is one of our key differentiations compared to other distributors that do not carry out actual implementation of projects.

Purchase orders are secured directly from customers who use the electrical products and accessories for their own purposes. Construction and EPCC companies and M&E contractors purchase electrical products and accessories from us for use in their respective projects for buildings, structures and facilities that require earthing and/or protection from lightning strikes. Manufacturers use these products for use in producing products such as switchgears, control panels and other electrical equipment, while distributors who buy from us resell them to their network of customers.

6. INFORMATION ON OUR GROUP (Cont'd)

We market and promote the electrical products and accessories that we distribute through networking events and plan to continue doing so in the future. The events that we have participated in since 2017 and up to the LPD include the following:

Year	Event	Location
2017	International Greentech & Eco Product Exhibition & Conference Malaysia 2017	Kuala Lumpur
2019	ASEAN Super 8 (ASEAN M&E 2019)	Kuala Lumpur
2019	International Greentech & Eco Product Exhibition & Conference Malaysia 2019	Kuala Lumpur

6.11.4 Publication of product catalogues and brochures

To complement our marketing efforts, we have print materials in the form of product catalogues and brochures to distribute to existing and potential customers. These will serve as marketing reminders and reference materials.

6.11.5 Corporate website



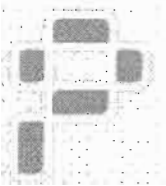


We have established our corporate website at <http://www.pekat.com.my> which provides immediate searchable information on our Group and details of our products and services.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.12 INTELLECTUAL PROPERTIES

Save for the trademarks (which are registered under Pekat Teknologi) disclosed below, we have not registered any brand names, patents, industrial design or other intellectual property rights:

No.	Design/Mark	Trademark no.	Validity	Place of registration
(i)		2018050711 2018050713 2018050716 2018050718	12 January 2018 to 12 January 2028	Malaysia
(ii)		09000002	2 January 2009 to 2 January 2029	Malaysia
(iii)		09015532 09015534	9 September 2009 to 9 September 2029	Malaysia
(iv)		09015535 09015536 09015537	9 September 2009 to 9 September 2029	Malaysia
(v)		13436343 13436342	7 February 2015 to 6 February 2025	China*

Note:

* The registration of our trademarks in China is to prevent our third party manufacturers from selling our brands' products.

6. INFORMATION ON OUR GROUP (Cont'd)**6.13 LICENCES AND PERMITS**

Save as disclosed below, there are no other licences and permits which our Group is materially dependent on for our business or profitability as at the LPD:

Licencee / Issuing authority	Date of issue / Date of expiry	Registration no. / Nature of approval or licences	Material conditions imposed	Compliance status
(i) Pekat Teknologi / Ministry of Finance Malaysia (MOF)	21 February 2019 / 20 February 2022	K60202724892181957 / Certificate of registration for the supply of products/services for government procurements.	(i) Any change of information stated in the certificate must be updated via online portal of MOF within 21 days from the date of change takes place. (ii) Newly registered company shall not change the shareholders or directors within 6 months from the date of registration.	Noted Complied
			(iii) Company must submit a registration renewal application 3 months before the expiry of the registration period.	Complied
(ii) Pekat Solar / CIDB	15 June 2020 / 12 March 2023	0120131217-WP154027 / *Certificate of registration of Pekat Solar with CIDB as a Grade G7 contractor.	(i) The contractor shall submit information in relation to any construction work or project within 14 days from the award of construction work or prior to work commencement or whichever comes first. (ii) The contractor shall apply for renewal of registration within 60 days prior to the expiry date as specified in this Certificate.	Complied Noted
			(iii) All the workers at the construction site must have a valid CIDB Green Card.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

Licencee / Issuing authority	Date of issue / Date of expiry	Registration no. / Nature of approval or licences	Material conditions imposed	Compliance status
(iii) Pekat Solar / Energy Commission	22 April 2019 / 21 April 2024	Registration No. ST(TKL)SGR/C/KE/02549/ 2015 / Certificate of registration to certify that Pekat Solar is empowered to carry out electrical work business as an Electrical Contractor under Class A pursuant to Regulation 75 of Electricity Regulation 1994.	None	Not applicable
(iv) Pekat Solar / SEDA	15 January 2021 / 31 December 2021	SEDA-RPVSP-2021/003 / Certificate of registration of Pekat Solar as Photovoltaic Service Provider eligible to participate in the Feed-in Tariff programme under the Renewable Energy Act 2011.	This registration must be renewed at least 60 days before the expiry.	Noted
(v) Pekat Solar / SEDA	15 January 2020 / 31 December 2021	SEDA-RPVI-2021/009 / Certificate of registration of Pekat Solar as Solar Photovoltaic Investor Under NEM Programme.	(i) This registration must be renewed at least 60 days before the expiry. (ii) Local company applicant must have a minimum share capital of RM1,000,000.00.	Noted Complied
(vi) Pekat Solar / TNB	9 September 2020 / 27 August 2023	3047956 / Registration of Pekat Solar with TNB as supplier and service provider.	The validity period of this registration is subject to the validity period of the Certificate of Registration with the Ministry of Finance Malaysia, CIDB and other relevant professional certification.	Complied
(vii) Pekat Solar / MOF	27 August 2020 / 26 August 2023	K66032748972649911 / Certificate of registration of Pekat Solar with MOF for the supply of products/services for government procurements.	(i) Any change of information stated in the certificate must be updated via online portal of MOF within 21 days from the date of change takes place.	Noted

6. INFORMATION ON OUR GROUP (Cont'd)

Licencee / Issuing authority	Date of issue / Date of expiry	Registration no. / Nature of approval or licences	Material conditions imposed	Compliance status
(viii) Pekat E&LP / CIDB	8 October 2020 / 5 December 2021	0120131206-WP153935 / *Certificate of registration of Pekat E&LP with CIDB as a Grade G7 contractor.	(ii) Newly registered company shall not change the shareholders or directors within 6 months from the date of registration. (iii) Company must submit a registration renewal application 3 months before the expiry of the registration. (i) The contractor shall submit information in relation to any construction work or project within 14 days from the award of construction work or project.	Complied Noted Complied
(ix) Pekat E&LP / Energy Commission	13 April 2021 / 12 April 2026	ST(TKL)SGR/C/KE/02822/2017 / Certificate of Registration of Pekat E&LP as an Electrical Contractor under Class A pursuant to Regulation 75 of Electricity Regulation 1994.	(ii) The contractor shall apply for renewal of registration within 60 days prior to the expiry date of this certificate. (iii) All the workers at the construction site must have a valid CIDB Green Card. None	Noted Complied Not applicable

Note:

* This certificate enables a company to tender for contracts with no limits on the value of the construction works.

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

6.14 RESEARCH AND DEVELOPMENT

For the past 4 FYEs and up to the LPD, we have not undertaken any research and development activity as it is not relevant to our business.

6.15 TECHNOLOGY USED

We make use of several licenced third party systems and applications to help run our business operations. In addition, some of the off-grid solar PV systems that we designed, supplied and installed incorporate energy storage systems.

- (i) **Solar-Log** is a solar PV monitoring system that is designed to remotely monitor the performance of solar PV facilities, including power generation and consumption. The hardware is installed on-site and the application communicates with the control centre through the internet.
- (ii) **PVsyst** is a solar PV modelling application that is designed to predict the power generation and financial performance of a proposed solar PV facility over a period of time. The model can take into consideration parameters including weather conditions and shade at the prospective location, solar PV facility size and performance of solar PV components over time.
- (iii) **Helioscope** is used in the engineering and design of solar PV facilities. The application can be used to create 3-dimensional designs, line diagrams, designs in computer-aided design (CAD) format that can be exported to other applications and perform simulations of power generation performance based on weather data.
- (iv) **CDEGS** is an application package that is designed to analyse the performance of systems, facilities and objects with respect to electricity. We utilise this application package to analyse the performance of ELP systems that we supply and install, including the performance of ELP systems and soil in dissipating unintended electricity.
- (v) We incorporate **energy storage systems** in some of the off-grid solar PV systems that we design, supply and install for our customers. The energy storage system is designed to store power that is generated by the solar PV system, so that it can be used later when there is little or no sunlight. The system comprises a rechargeable battery pack to store the power and energy management system to control the charging and discharging of the battery pack to prevent damage.

6.16 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Company or our subsidiaries during the past 4 FYEs 2017 to 2020 and up to the date of this Prospectus:

- (i) Share sale agreement dated 11 September 2020 entered into between our Company and the Vendors for the Acquisition of Pekat Teknologi. The Acquisition of Pekat Teknologi was completed on 17 March 2021.

6. INFORMATION ON OUR GROUP (Cont'd)

- (ii) Tenancy agreement dated 13 April 2020 entered between Startige (as landlord) and Pekat Teknologi, Pekat E&LP, Pekat Solar and Pekat Engineering (collectively, as tenants) for rental of Cubic Space Office for a rental sum of RM972,000 per annum. The tenure of the tenancy was extended by a year to up to 31 March 2022 via an exchange of letter dated 1 April 2021.
- (iii) Sale and purchase agreement dated 19 November 2019 between Pekat Teknologi (as purchaser) and Benua Wang Sdn Bhd (as vendor) for the acquisition of Elmina Land for a total purchase consideration of RM17.1 million. The agreement was completed on 8 July 2020.
- (iv) Joint venture agreement dated 25 September 2019 entered between MFPI and Pekat Teknologi in respect of the incorporation of MFP Solar for the purpose of undertaking solar PV investment business activities in Malaysia and overseas, in which MFPI is the partner responsible for the financial, operation and management of MFP Solar, and Pekat Teknologi is in charge of the technical aspects of the solar PV investment, such as the design, supply and installation, as well as operations and maintenance in Malaysia for all solar PV power plants invested by MFP Solar ("MFP Solar JVA"). On 8 January 2021, MFPI had transferred its equity interest in MFP Solar to MFCI, its wholly-owned subsidiary. MFCI had further entered into a Deed of Accession with Pekat Teknologi and MFP Solar on 21 December 2020 whereby it had agreed to observe, perform and be bound by all the terms and conditions set out under the MFP Solar JVA.
- (v) Loan agreement dated 1 January 2019 entered between Pekat Solar (as lender), Multi Link Sdn Bhd ("Multi Link") (as borrower) and Lee Seng (as guarantor) for a term loan of up to RM2.0 million over a period of 6 months with an interest rate of 7.0% per annum, for the purposes of business expansion and working capital of Multi Link. Multi Link had fully repaid the loan including the interest on 15 July 2019.
- (vi) Trademark licencing agreement dated 15 November 2018 entered into between Pekat Teknologi (as licensor) and Pekat Energy Sarawak (as licensee) where a non-exclusive licence was granted to the licensee to use our trademarks at no monetary consideration for the purposes of procurement and implementation of projects in connection with the business activities of our Group and the distribution and marketing of products within Sarawak, Malaysia.

In consideration of the rights granted by Pekat Teknologi, Pekat Energy Sarawak shall use its best endeavours to procure projects in Sarawak subject to the written consent of Pekat Teknologi to be involved or participate in the projects. In the event Pekat Energy Sarawak is successfully awarded any of the projects and Pekat Teknologi agrees to be involved or participate in the projects, then Pekat Energy Sarawak shall award to Pekat Teknologi the sub-contract to carry out or complete the project at the agreed fee of 85% of the contract sum.
- (vii) During 2012, Pekat Teknologi had financed the installation of a solar PV system with an installed capacity of 101.7 kWp on the roof of Units 5 and 6 of the Cubic Space Office. However, the application to SEDA for under the FIT programme was made by Chin Soo Mau. As such, the revenue from the sale of electricity to TNB was received by Chin Soo Mau.
 - (a) On 18 June 2012, Pekat Teknologi and Chin Soo Mau entered into a collaboration agreement whereby it was agreed that all revenue from the sale of electricity to TNB shall accrue to Pekat Teknologi, while all incidental cost and expenses incurred by Chin Soo Mau with respect to the application, installation, maintenance and taxes, if any, shall be reimbursed by Pekat Teknologi accordingly.

6. INFORMATION ON OUR GROUP (Cont'd)

- (b) On 3 September 2020, Pekat Teknologi and Chin Soo Mau entered into an agreement wherein it was agreed that Chin Soo Mau agrees to acquire the solar PV system from Pekat Teknologi upon Pekat Teknologi relocating from Cubic Space Office to its new head office and operational facility at a purchase consideration equivalent to the market value assessed by an independent registered valuer acceptable to Pekat Teknologi.
- (viii) Underwriting agreement dated 22 April 2021 entered between our Company and M&A Securities for the underwriting of 48,372,800 Issue Shares as set out in Section 4.11.1. Please refer to Section 4.12 for the salient terms of the Underwriting Agreement.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.17 MATERIAL PROPERTIES OF OUR GROUP

6.17.1 Property owned by our Group

Details of the property owned by us as at the LPD are as follows:

(i) Elmina Land

Particulars of title : H.S.(D) 287163, Lot No. PT 50350, Mukim of Sungai Buloh, in the District of Petaling, State of Selangor

Registered proprietor : Pekat Teknologi

Land area based on title : 137,928 sq ft

Tenure / land use : Freehold / Industrial

Description and intended use : A parcel of vacant industrial land. This land is intended for the construction of our new head office and operational facility

NBV : RM17,821,681 as at 31 December 2020

Date of certificate of fitness : Not applicable

Encumbrances : Charged to Public Investment Bank Berhad

As at the LPD, the above property is not in breach of any land use condition or permissible land use.

6. INFORMATION ON OUR GROUP (Cont'd)

6.17.2 Properties rented by our Group

Details of properties rented by us as at the LPD are set out below:

No.	Description / Address	Owner/ Tenant	Existing Use	Built-up area	Period of tenancy / Rental per annum
(i)	Cubic Space Office comprising 3 units of 3-storey semi-detached factories / Lot 3A, 5 and 6, Cubic Space 6, Jalan Teknologi ¾ Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya, Selangor	Startige ⁽¹⁾ / Pekat Teknologi, Pekat E&LP, Pekat Solar and Pekat Engineering	Head office, warehouse, training centre and workshop	35,781 sq ft	1 April 2021 to 31 March 2022 / RM972,000
(ii)	Ground floor and 1st floor office unit located in a 2-storey commercial building / 1827-F2, Jalan Perusahaan Auto City, 13600 Perai Penang	Golden Highway Landmark Sdn Bhd / Pekat Solar	Penang branch office	1,300 sq ft	1 June 2019 to 31 May 2022 / RM45,600
(iii)	2nd floor office unit located in a 3-storey shop office / C-3-3, Block C, Pusat Komersial Bayu Tasek Persiaran Southkey 1, Kota Southkey 80150 Johor Bahru Johor	Anthony Teng Kang Lung and Geoffery Kueh Hong Ching / Pekat E&LP	Johor branch office	1,453 sq ft	1 August 2020 to 31 July 2021 / RM21,600

6. INFORMATION ON OUR GROUP (Cont'd)

Note:

- (1) Chin Soo Mau (our Managing Director), Tai Yee Chee and Wee Chek Aik (our Executive Directors), our Promoters and substantial shareholders, are the Directors and shareholders of Startige. The rental of this property is deemed a related party transaction.

Our Directors (save for the interested Directors) have reviewed the above related party transaction and are of the view that the transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders.

As at the LPD, the properties rented by our Group are not in breach of any land use or regulatory requirements.

6.18 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Save as disclosed in Section 6.13, there are no other regulatory requirements and/or major environmental issues which may materially affect our operations and utilisation of our property, plant and equipment.

The following is an overview of the regulatory requirements governing our Group which are material to our business operations:

(i) Electricity Supply Act 1990 ("Electricity Supply Act")

The Electricity Supply Act, including the Electricity Regulations 1994 regulates the electricity supply industry, the supply of electricity, the licensing of electrical installation, the control of electrical installation, plant and equipment with respect to matters relating to the safety of persons and the efficient use of electricity. It provides that, subject to exemptions prescribed, no person other than a supply authority shall use, work or operate or permit to be used, worked or operated any installation or supply to any other person energy from any installation, except under and in accordance with the terms of a licence granted by the Energy Commission and expressly authorising the supply or use. Any person who supplies electricity from an installation to or for the use of any person without a licence shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 and to a further fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

The Electricity Regulations 1994 also states that any Electrical Services Engineer, Competent Electrical Engineer, Electrical Supervisor, Chargeman, Wireman or Cable Jointer referred to in the Electricity Regulations 1994 shall possess a valid Certificate of Competency appropriate to such category, with restrictions, if any, issued to him by the Energy Commission.

As at the LPD, our subsidiaries, Pekat Solar and Pekat E&LP are certified under the Electricity Regulations 1994 to carry out electrical work business as an electrical contractor. Our employees who are categorised as Chargeman and Wireman, fall under the requirements of the Electricity Regulations 1994 have also been issued with Certificates of Competency in accordance with the Electricity Regulations 1994.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Renewable Energy Act 2011 ("REA")

The REA provides for the establishment and implementation of a special tariff system to catalyse the generation of renewable energy.

The Renewable Energy (Technical and Operational Requirements) Rules 2011 ("RETO") sets out the categories of work under the FIT programme that should only be carried out by persons possessing the requisite qualifications, which includes possession of Certificates of Competency issued by the Energy Commission under the Electricity Supply Act.

In line with the introduction of the NEM programme, the Energy Commission had also issued the Guidelines for Solar Photovoltaic Installation on Net Energy Metering Scheme ("NEM Guidelines") under the Electricity Supply Act to implement the solar photovoltaic installation on the NEM programme. The NEM Guidelines set out, amongst others, the design criteria and requirement, the types of installation, capacity limit and application process of solar PV installations under the NEM programme.

As at the LPD, our subsidiary, Pekat Solar is also certified by SEDA as a Photovoltaic Service Provider eligible to participate in the FIT programme and as a Solar Photovoltaic Investor under the NEM programme.

(iii) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 ("CIDB Act")

The CIDB Act provides that a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. There are 4 categories of registration, namely building construction, civil engineering, mechanical and electrical and facility. The scope of registration may further be classified into the following 7 grades with each grade having different tendering capacity.

The CIDB Act also sets out that every contractor shall declare and submit to the CIDB, any contract which he has been awarded on any construction works. For every such contract having a contract sum of above RM50,000.00, the contractor shall be liable to pay to the CIDB a levy at the rate of a quarter per centum of the contract sum.

As at the LPD, our subsidiaries, Pekat Solar and Pekat E&LP hold valid Grade G7 certificates of registration issued under the CIDB Act, which enables Pekat Solar and Pekat E&LP to tender for contracts with no limits on the value of the construction works.

6.19 BUSINESS STRATEGIES AND PROSPECTS

6.19.1 Expansion of solar PV and ELP system business

We intend to expand our existing solar PV and ELP system business through increasing our working capital. We intend to allocate RM12.7 million from our IPO proceeds for our Group's working capital requirements. The increase in working capital will facilitate our capability to secure more contracts, carry out more projects concurrently and provide more maintenance services.

6. INFORMATION ON OUR GROUP (Cont'd)

Some of the solar PV and ELP projects that we are involved in require tender bonds and performance bonds as disclosed in Sections 6.6.3.11 and 6.6.4.5, which is normally a fixed sum that varies from tender to tender. This results in the lock-up of a portion of our capital during the duration of the project, thereby affecting our liquidity for that duration. As such, the allocation to working capital is expected to enhance our Group's liquidity and cash flows, so that we will be in a stronger position to secure and complete more projects moving forward.

(i) Securing more contracts

We operate throughout Malaysia for our solar PV and ELP system business. As such, we require more human and financial resources to address opportunities to grow our business.

As at the LPD, our sales and marketing team for our Solar Division comprises 9 dedicated sales and marketing personnel, while our ELP Division comprises 8 shared sales and marketing personnel. We plan to enhance our sales and marketing team by hiring 10 additional personnel by 2024 upon the completion of our new head office and operational facility. Our larger sales and marketing sales force will enable us to cover a larger geographic area in Malaysia as well as service a larger pool of potential customers. We intend to target all categories of customers for Solar Division (namely commercial, industrial, residential, community and solar farms) and ELP Division (namely commercial, mixed development, infrastructure, industrial, community and non-projects based supply and installation).

(ii) Implementing more projects concurrently

As we secure more contracts, we will also need to increase the number of our Solar Division and ELP Division staff, which comprised 66 staff and 38 staff respectively as at the LPD.

As part of our business strategy we intend to hire 10 additional staff for our Solar Division and 3 additional staff for our ELP Division by 2024 upon the completion of our new head office and operational facility.

(iii) Increase provision of maintenance services

Our business strategies also include providing maintenance services for more solar PV facilities, either bundled with our fixed lump sum contracts or entering into separate maintenance contracts. This business strategy is not relevant to our fixed lump sum plus variable periodic payment contracts. The provision of maintenance services will provide us with recurrent revenue stream to complement our current focus on project-based revenue streams. We aim to provide maintenance services for the solar PV facilities that we design, supply and install. Our focus will be on solar PV power plants generating capacity in excess of 1.0 MWp. As at the LPD, we have a total of 14 maintenance personnel for solar PV facilities, with 12 and 2 located at our Selangor and Penang operational premises respectively.

We intend to hire an additional of 10 maintenance personnel to support our plan to increase our provision of maintenance services for solar PV facilities by 2024 upon the completion of our new head office and operational facility.

We also plan to enhance our workshop area at our proposed new head office to support a higher level of repair and maintenance activities. The workshop area will be larger than our current workshop to support more people carrying out repair, maintenance and testing, more tools and equipment, as well as keeping more and larger range of consumable items.

Please refer to Section 6.19.2 for more details relating to the workshop areas of our proposed new head office.

6. INFORMATION ON OUR GROUP (Cont'd)

6.19.2 Construction of our new head office and operational facility

On 8 July 2020, we completed the acquisition of Elmina Land measuring approximately 137,928 sq ft. We intend to build a new head office integrated with a showcase, central monitoring station, training centre, workshop and warehouse. Our proposed new head office and operational facility will be a "zero net energy building", whereby the total energy used will be equal to the amount of renewable energy generated on-site on an annual basis.

This new head office and operational facility will replace our existing facilities housed in Cubic Space Office.

An artist's rendering of our new head office and operational facility



The proposed construction will have a total built-up area of approximately 114,252 sq ft. It will be an integrated facility with all of our operational facilities under one roof, comprising the following:

- 31,353 sq ft for head office;
- 7,937 sq ft for showcase area;
- 6,227 sq ft for central monitoring station;
- 8,696 sq ft for training centre;
- 9,284 sq ft for workshop; and
- 50,755 sq ft for warehouse (floor space of 49,755 sq ft and total racking space of 16,085 sq ft).

23,676 sq ft shall be allocated for roads, car parks and building set-back as required by the authorities.

6. INFORMATION ON OUR GROUP (Cont'd)

Head office

With the ongoing growth and development of our business, we are outgrowing our current head office. The number of employees who are based at our Cubic Space Office has increased from 61 personnel as at 31 December 2017 to 119 personnel as at the LPD. As such, we intend to move out of the Cubic Space Office and relocate to this new head office.

Showcase area

Our showcase area will feature our full range of business activities. Prospective customers and visitors can tour the showcase area to view mock-ups as well as functioning products. The showcase for solar PV facility will comprise, among others, the following:

- mock-up of a complete solar PV facility;
- examples of solar PV modules, mounting systems, inverters and other balance of system;
- demonstration of remote monitoring, measurement and energy management system;
- static displays, interactive applications and video presentations of some of our projects; and
- education on solar PV technology and the potential environmental benefits of power generation through solar PV compared to fossil fuels.

The showcase for ELP system will comprise, among others, the following:

- mock-up of a complete ELP system;
- examples of different method of ELP system;
- demonstration of lightning risk assessment system;
- choices of products and components for ELP system; and
- education on ELP systems and related topics.

The showcase for our electrical products and accessories will feature a selection of our brand and third party brand products.

Our new premises will also serve as a showcase for the use of solar PV as a renewable energy to power industries and commerce. In this respect, we have designed our proposed new premises to be a "zero net energy building". As such, all our energy requirements will be generated from our rooftop solar PV facility. We intend to install a solar PV facility with capacity of 300.0 kWp on the rooftop and carpark covered area for our new premises.

The new premises will also incorporate energy-saving design features, such as energy efficient air conditioning, lighting, electrical appliances, timers and sensors to minimise power consumption. In addition, our rooftop solar PV facility and internal energy consumption will be connected to our central monitoring station to provide overall monitoring, measurement and management of facilities and various energy management systems.

In this way, our new operational facility itself will serve as a showcase for our solar PV facility business as well as our integrated management, monitoring and assessment platform.

We envisage that our rooftop solar PV facility will be sponsored by our solar PV module and balance of system suppliers. Their sponsorships will serve as promotions for their products. We will begin to approach potential sponsors once the construction of the building commences. In the event that the solar PV sponsorship from suppliers is not obtained, we will proceed to setup the solar PV facility by utilising internally generated funds which is estimated to be RM0.6 million.

6. INFORMATION ON OUR GROUP (Cont'd)

Central monitoring station ("CMS")

We plan to develop a CMS at our new head office and operational facility. It will be connected to the solar PV facilities that we are monitoring and maintaining during the defect liability period as well as for the duration of our subsisting maintenance contracts.

An artist's illustration of our CMS



Our CMS will house our existing and proposed application platform as follows:

- solar PV monitoring and energy management system;
- lightning risk assessment system; and
- ELP monitoring system.

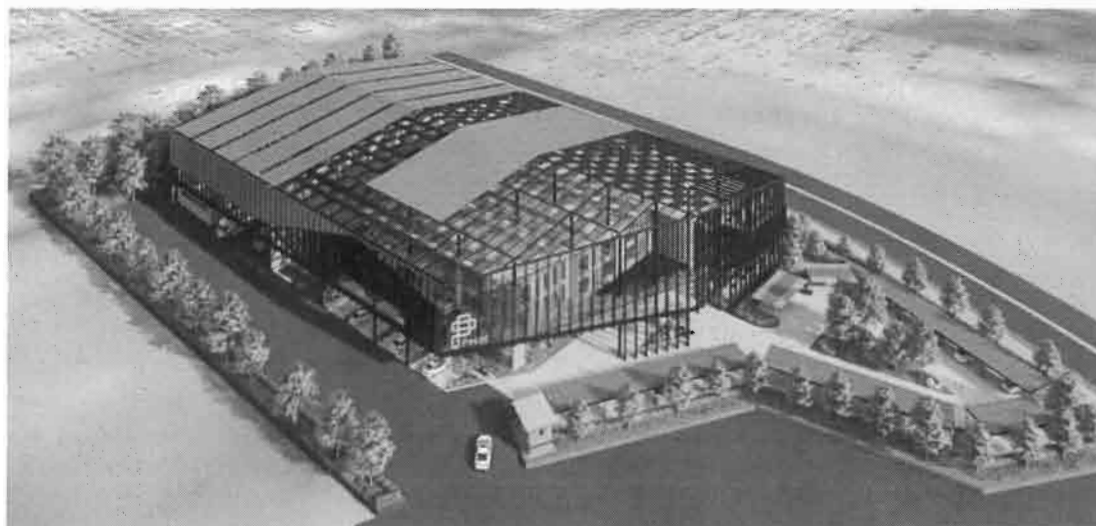
Data from solar PV facilities, lightning risk assessment system and ELP systems will be transmitted through the internet to our proposed CMS. The data will then be stored, processed, analysed and displayed on our computers at the CMS. Our CMS will provide monitoring, measurement and management data as well as enable remote devices such as mobile phones, tablets, laptops and desktops to be connected to the CMS to view selected data. Our customers will also be given restricted access to remotely view their respective data.

The systems at our CMS can raise alerts if abnormal performance or events are detected for our staff at the CMS to take appropriate actions.

Training centre

As at the LPD, we have an existing training centre at Cubic Space Office measuring approximately 690 sq ft. Our training centre is mainly used to train our staff. In some situations, we may also be required to train our customers of solar PV facilities on the proper and safe operation and maintenance of their solar PV facilities as part of our handover procedures.

As we will only be moving into our new premises at the end of 2023, we envisage that our training centre space requirements would have grown to cater for more customers and staff training.

6. INFORMATION ON OUR GROUP (Cont'd)**An artist's rendering of an aerial view of our new head office and operational****Workshop**

Our workshop is used to carry out incoming product and equipment testing. We will have an expanded workshop at our new premises to support the anticipated growth of our business in general and increase in maintenance of solar PV facilities business driven by our plan to secure more maintenance contracts.

Warehouse

Our planned new warehouse will have storage space capacity comprising 49,755 sq ft of floor space and 16,085 sq ft of racking space, which will represent increases of 37,955 sq ft (321.7%) and 11,410 sq ft (244.1%) respectively compared to our existing warehouse storage space capacity. While our existing warehouse is operating at 99.1% capacity as at the LPD, the increased warehouse space at our new head office will allow us to store a higher volume of products and accessories that we distribute, as well as goods and materials for our Solar Division and ELP Division. This is also to cater to our future growth as it is targeted for us to move into the new premises at the end of 2023. We expect our need for warehouse space will increase by then. The utilisation rate of our existing warehouse storage space had progressively increased from 59.5% for FYE 2017 to 97.1% for FYE 2020, and as at the LPD, the utilisation rate was 99.1%.

Indicative Timeline

As at the LPD, we have submitted the planning application and building plan to Majlis Bandaraya Shah Alam. The indicative timeline for constructing the new head office and operational facility is expected to be as follows:

Timeline	Details
June 2021	Receipt of approved building plan
September 2021	Commencement of construction
March 2023	<ul style="list-style-type: none"> • Commencement of installation of rooftop solar PV • Completion of construction of the head office and operational facility

6. INFORMATION ON OUR GROUP (Cont'd)

Timeline	Details
June 2023	To obtain Certificate of Completion and Compliance for the head office and operational facility
September 2023	Commencement of relocation from Cubic Space Office
December 2023	Commencement of operations in the head office and operational facility

Cost of Construction

The construction cost of our new head office and operational facility is estimated at RM18.0 million, which will be fully funded from our IPO proceeds.

The breakdown of the construction cost for our new head office and operational facility is as follows:

Description	Total estimated cost ⁽²⁾ RM'000
Construction works	9,100
M&E works	2,730
Infrastructural works	1,730
Professional fees ⁽¹⁾	1,200
Authority and utilities	270
Interior fit-out and loose furniture	2,730
Contingencies	240
	18,000

Notes:

⁽¹⁾ Comprising legal and project consulting fees.

⁽²⁾ Total estimated cost is based on fees estimation by our professional consultants.

6.19.3 Develop integrated monitoring, management and assessment platform

We intend to develop an integrated monitoring, management and assessment platform for solar PV facilities and ELP systems that we install. This platform will be used in our central monitoring station as well as sold to customers for their solar PV facilities or ELP systems. This platform will be modular and can be customised to meet specific customer's facilities.

(i) Solar PV monitoring and energy management system

Pnexsoft is currently developing a solar PV monitoring system to provide online monitoring of solar PV facilities. This system is developed to meet the specific requirements of solar PV facilities that are installed in the southeast Asia region and will allow the monitoring of both on-grid and off-grid solar PV facilities on a single system.

The solar PV monitoring system comprises integrated application and communications software and hardware including sensors and monitoring equipment. The hardware will be installed on-site at the solar PV facilities' locations, where they will measure, monitor and transmit data to a central monitoring station. The data

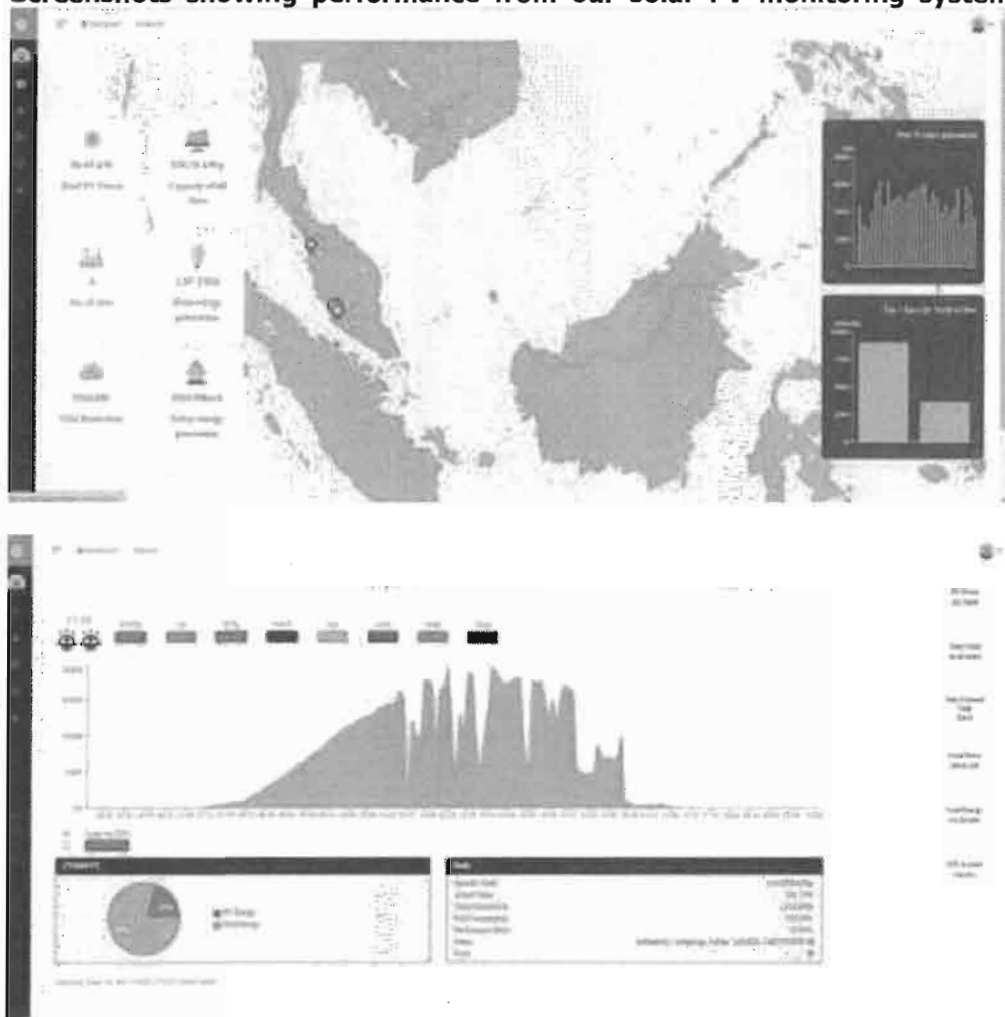
6. INFORMATION ON OUR GROUP (Cont'd)

collected includes real-time measurement of DC power generated by solar PV arrays, AC output from inverters, power from the solar PV systems or power plants, power exported to the power grid, power imported from the power grid and management of energy storage system. The platform will be modular such that customers will only use those modules relevant to their solar PV facilities.

The application software will receive, store and analyse data from connected solar PV facilities. Information gathered and processed by the system, such as activity, performance and management reports, are presented to users in dashboard and graphical format. The system also has alert functions to notify specified personnel in the event that a defined abnormal event occurs.

The solar PV monitoring system will be a cloud-based application, whereby all the data storage, processing and analysis are carried out on our servers. The solar PV facility can be at any location and monitoring is enabled as long as there is power and an internet connection. Data from the solar PV facility will automatically and continuously transmit to our servers through the internet. Authorised users will have access to their respective information through a graphics-based dashboard installed on internet connected devices such as smartphones, laptops and desktops.

Screenshots showing performance from our solar PV monitoring system



6. INFORMATION ON OUR GROUP (Cont'd)

As at the LPD, we have developed a reduced working version of the solar PV monitoring system and have installed it at some of the solar PV facilities that we have designed, supplied and installed. We are currently conducting tests on the current solar PV monitoring system to assess its performance to identify and rectify problems.

Our current reduced working version of the solar PV monitoring system is capable of the following:

- monitoring of DC power generated by solar PV arrays;
- monitoring of AC output from inverters;
- monitoring of power exported to the power grid; and
- monitoring of power imported from the power grid.

We are developing our energy management system for rechargeable battery storage used with solar PV facilities. Our energy management system will include monitoring of power stored in battery packs as well as to manage charging, duration of charging, stoppage of charging and discharging. All these will be carried out automatically with manual override in our energy management system. The management of energy storage is important to maximise lifespan of the batteries.

We have targeted the commercial launch of our solar PV monitoring and energy management system by the end of 2021. We also intend to integrate the solar PV monitoring and energy management system with our lightning risk assessment system and ELP monitoring system, once we have completed their development.

The total cost of developing the solar PV monitoring and energy management system is estimated at RM2.0 million and shall be funded via internally generated funds of Pnexsoft and/or capital injection by the shareholders of Pnexsoft. We intend to finance our portion of capital injection through our internally generated funds.

(ii) Lightning risk assessment system

We plan to develop a lightning risk assessment system application to assess the lightning risks at a particular location or facility, including the probability that lightning strike would cause damage. This application will be developed by Pnexsoft.

In general, the lightning risk assessment system application will take into consideration factors such as lightning strike density in a particular area, nearby buildings and structures, type of facility involved and the use and typical occupancy level of the facility. The risk assessment is used to determine the level of lightning protection that should be incorporated into the facility in accordance with the Energy Commission guidelines for lightning protection and will be used as a baseline to design the facility's lightning protection system.

On 3 January 2020, the Energy Commission issued the "Enforcement Instruction on the Application of Malaysian Standard MS IEC 62305 "Protection Against Lightning" for Lightning Protection System for Buildings" (Enforcement Instruction). The design, installation, supervision, testing, operation and maintenance of lightning protection systems in buildings must be based on the Malaysian Standard MS IEC 62305. Anyone who fails to comply with the instruction has committed an offence and can, if convicted, be fined not exceeding RM200,000, or jailed for not more than 2 years, or both. The Enforcement Instruction will be in force and implemented according to the following schedule:

6. INFORMATION ON OUR GROUP (Cont'd)

Stage	Date
Buildings under planning stage and new developments	1 January 2020
Building under construction	1 January 2021
Existing buildings:	
Hospitals, higher educational institutions, business and industrial buildings, condominiums, apartments and airports	1 January 2021
Flats, schools and Government buildings	1 January 2022
Landed residential property (other than condominiums, apartments and flats)	1 January 2023
Buildings other than those listed above	To be determined by the Energy Commission from time to time

The implementation of the Enforcement Instruction for buildings under planning stage and new developments from 1 January 2020 and the upcoming enforcement for buildings under construction from 1 January 2021, will mean that construction and EPCC companies and M&E contractors have to ensure that the lightning protection systems for the buildings that they are developing have to comply with MS IEC 62305. In addition, building owners of existing buildings will have to ensure that the lightning protection systems of their respective buildings comply with the standard, as the Enforcement Instructions are progressively implemented.

The lightning risk assessment system that we plan to develop is designed to facilitate this assessment. Moreover, the implementation of the Enforcement Instruction should result in increased business for our supply and installation of ELP system business for new buildings, as well as upgrading or retrofitting of existing buildings.

We intend to integrate the lightning risk assessment system with our solar PV monitoring and energy management system once we have completed its development.

The total cost of developing the lightning risk assessment system application is estimated at RM0.2 million and shall be funded via internally generated funds of Pnexsoft and/or capital injection by the shareholders of Pnexsoft. We intend to finance our portion of capital injection through our internally generated funds. We have targeted to complete this application by the end of 2022.

(iii) ELP monitoring system

We intend to develop an ELP monitoring system through Pnexsoft. This system is designed to monitor the performance of ELP systems and consists of integrated hardware and application software.

The hardware will be installed on-site and connected to the ELP system, where it measures and collects data on ELP system performance. The data that is collected includes the time, frequency, magnitude and amplitude of lightning strikes, time and magnitude of voltage surges and performance of the earthing system. The hardware comprising measurement and monitoring instruments will transmit the data to our central monitoring station through an internet connection.

6. INFORMATION ON OUR GROUP (Cont'd)

The data from the measurement and monitoring instruments will be received, stored and analysed by the platform's application software. Information such as performance and activity reports will be presented to users in dashboard and graphical format. The system will also include alert functionality to notify users of specified or abnormal events.

The ELP monitoring system is a cloud-based application where our servers carry out data storage, processing and analysis. Monitoring, data collection and transmission from ELP systems are carried out as long as there is power and an internet connection. Authorised users will also have access to data through connected devices such as smartphones, laptops and desktops.

We intend to integrate the ELP monitoring system with the lightning risk assessment system and solar PV monitoring and energy management system, once we have completed their development.

The total cost of developing the ELP monitoring system is estimated at RM0.5 million and shall be funded via internally generated funds of Pnexsoft and/or capital injection by the shareholders of Pnexsoft. We intend to finance our portion of capital injection through our internally generated funds. We have targeted to complete this system by the end of 2022.

(iv) Expand application development team

We intend to expand our application development team (under Pnexsoft) to enhance our capability to develop applications to support our business strategy as outlined above. As at the LPD, we have 2 application development personnel and we intend to hire 5 additional application development personnel by 2022.

The funding to expand the software development team is estimated at RM2.0 million over a period of 3 years, which we intend to finance through internally generated funds.

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6. INFORMATION ON OUR GROUP (Cont'd)**6.20 EMPLOYEES**

As at the LPD, we have a total workforce of 164 employees, of which 159 are permanent employees and 5 are contractual workers. The following depicts the number of employees in our Group according to department and geographical location as at the LPD:

Department	Permanent		Contract/temporary		Total employee
	Local	Foreign	Local	Foreign	
Directors	3	-	-	-	3
Key senior management	3	-	-	-	3
Accounting, finance and human resources	14	-	-	-	14
Sales and marketing	20	-	-	-	20
Operations	38	-	3	1	42
Engineering	41	-	-	-	41
Quality control and testing	-	-	-	1	1
Administration and business support	11	-	-	-	11
Supply chain, procurement and logistic	29	-	-	-	29
TOTAL	159	-	3	2	164

As at the LPD, local employees accounted for approximately 98.8% of our total workforce while the remaining 1.2% were foreign workers. As at the LPD, we have a total of 2 foreign workers, of which 1 Russian is involved in the quality control and testing department and 1 Myanmar national is involved in operations. During the past FYEs 2017 to 2020 and up to the LPD, there is no major industrial dispute pertaining to our employees.

We have in place a management succession plan to identify key competencies and requirements of managers and higher ranking personnel, to take positive approach towards addressing talent management to ensure our Group has talent readily available from a capability perspective to undertake leadership positions and to frequently train our middle management to ensure they are well equipped with all the necessary knowledge to succeed at senior management positions in the future in our Group. None of our employees are members of any union.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.21 MAJOR CUSTOMERS

Our top 5 major customers for each of the past 4 FYEs 2017 to 2020 are as follows:

FYE 2017

No	Customers	Country	Business activities	Category of products / services sold	Revenue contribution in FYE 2017		Length of relationship as at the LPD	
					RM'000	%	Years	
1	Sunway Group*	Malaysia	Construction, civil engineering and building works	Supply and installation of ELP system	4,281	5.9	21	
2	WCT Construction Sdn Bhd	Malaysia	Civil engineering, specialising in earthworks, highway construction and infrastructure works	Supply and installation of ELP system	4,092	5.6	13	
3	SECM Sdn Bhd	Malaysia	M&E engineering	Supply and installation of ELP system and sale of ELP products and aviation warning light systems	2,756	3.8	12	
4	Bekal Hikmat	Malaysia	Design, supply and installation of solar PV systems as well as trading of electrical and mechanical products	Design, supply and installation of solar PV facilities	2,601	3.6	4	
5	Cypark Resources Bhd	Malaysia	Environmental engineering, landscaping and infrastructure, maintenance, investment holding and provision of management services	Sale of solar PV inverters and accessories	2,525	3.4	4	
Sub-total					16,255	22.3		
Total					72,830	100.0		

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2018

No	Customers	Country	Business activities	Category of products / services sold	Revenue contribution in FYE 2018		Length of relationship as at the LPD Years
					RM'000	%	
1	MetTube Sdn Bhd	Malaysia	Manufacture and sale of copper and copper alloy mill products including billets, tubes, pipes, blanks, busbars and extrusions	Design, supply and installation of solar PV facility	7,724	6.4	2
2	Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust)	Malaysia	Trustee for a real estate investment trust investing in a portfolio of income producing real estate primarily for retail purposes	Design, supply and installation of solar PV systems	6,881	5.7	2
3	Sunway Group*	Malaysia	Construction, civil engineering and building works	Design, supply and installation of solar PV facilities and supply and installation of ELP system	5,120	4.3	21
4	Metrod (Malaysia) Sdn Bhd	Malaysia	Procurement of raw materials, manufacturing and marketing of electrical conductivity grade copper wires, rods and strips and hospitality business	Design, supply and installation of solar PV facility	4,872	4.1	2
5	Bekal Hikmat	Malaysia	Design, supply and installation of solar PV systems as well as trading of electrical and mechanical products	Design, supply and installation of solar PV facilities	4,358	3.6	4
Sub-total					28,955	24.1	
Total					120,129	100.0	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2019

No	Customers	Country	Business activities	Category of products / services sold	Revenue contribution in FYE 2019		Length of relationship as at the LPD Years
					RM'000	%	
1	Bekal Hikmat	Malaysia	Design, supply and installation of solar PV systems as well as trading of electrical and mechanical products	Design, supply and installation of solar PV facilities	18,716	15.6	4
2	Pekat Energy Sarawak	Malaysia	Design, supply and installation of solar PV systems and power plants in Sarawak	Design, supply and installation of solar PV facilities	11,101	9.3	3
3	CTRM Composites Bhd	Malaysia	Manufacture of aerospace as well as non-aerospace composite components	Design, supply and installation of solar PV facilities	3,680	3.1	2
4	Sunway Group*	Malaysia	Construction, civil engineering and building works	Design, supply and installation of solar PV facilities and supply and installation of ELP system	3,677	3.1	21
5	PWF Feeds Bhd	Malaysia	Manufacturing and selling of broiler feed	Design, supply and installation of solar PV facilities	3,000	2.5	1
Sub-total					40,174	33.6	
Total					119,521	100.00	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2020

No	Customers	Country	Business activities	Category of products / services sold	Revenue contribution in FYE 2020		Length of relationship as at the LPD	
					RM'000	%	Years	
1	MFP Solar	Malaysia	Build, own and operate solar PV power plants	Design, supply and installation of solar PV facilities	19,039	15.2	1	
2	Pekat Sarawak	Malaysia	Design, supply and installation of solar PV systems and power plants in Sarawak	Design, supply and installation of solar PV facilities	11,566	9.2	3	
3	ENGIE Services Malaysia Sdn Bhd	Malaysia	Provision of consultancy services on energy efficiency solutions	Design, supply and installation of solar PV facilities	7,121	5.7	1	
4	Ideal Quality Sdn Bhd	Malaysia	Manufacturing of latex examination gloves	Design, supply and installation of solar PV facilities	5,277	4.2	3	
5	InverPower Sdn Bhd	Malaysia	Wholesaling of electrical products and accessories	Distribution of electrical products and accessories	4,793	3.8	5	
Sub-total					47,796	38.1		
Total					125,562	100.0		

Note:

* Comprising Sunway Construction Sdn Bhd, Sunway Engineering Sdn Bhd and Sunway Geotechnics (M) Sdn Bhd.

We were not dependent on any one of our customers during FYE 2017 to FYE 2020. Save for Bekal Hikmat which accounted for 15.6% of our total revenue for FYE 2019 and MFP Solar which accounted for 15.2% of our total revenue for FYE 2020, none of our other customers accounted for more than 10.0% of our total revenue for the past 4 FYEs.

6. INFORMATION ON OUR GROUP (Cont'd)

Although Bekal Hikmat was our largest customer for FYE 2019 having accounted for 15.6% of our total revenue for that year and accounted for 3.6% and 3.6% of our total revenue for FYE 2017 and FYE 2018 respectively, we are not dependent on them as a customer.

We secured a contract from Bekal Hikmat to provide the design, supply and installation of solar PV systems comprising a total of 1,620 on-grid solar PV systems as part of the MySuria programme. We implemented this MySuria project during FYE 2017 and FYE 2018. During this period and up to the LPD we have completed the design, supply and installation of solar PV systems for a total of 332 houses with cumulative installed capacity of approximately 1.0 MWp. Our contract was subsequently discontinued at the end of 2018, as the Government had discontinued the MySuria programme. Following the discontinuation of the MySuria programme, during FYE 2019 there was sale of inventory comprising solar PV systems to the Government through Bekal Hikmat. Our sale of inventory to the Government was because we had already purchased this inventory for the MySuria project, but they were not utilised due to the discontinuation of the MySuria programme at the end of 2018. Moving forward, we expect to recognise another RM2.2 million in revenue from the MySuria contract after FYE 2019 comprising retention sum of RM1.8 million and progress claims of RM0.4 million.

MFP Solar was our largest customer for FYE 2020 having accounted for 15.2% of our total revenue for that year. We are not dependent on them as a customer. Kindly refer to Section 6.6.3.14(ii) for additional information on MFP Solar.

Our Solar Division and ELP Division are project-based in nature. Revenue contribution from each customer would be based on progress billings as we carry out and progressively complete the solar PV projects or ELP projects and will cease after we complete the projects unless we subsequently secure new projects from the same customer.

While some of our customers for our Trading Division are recurring from year to year, the total revenue from sales of these products to each of these customers is relatively small compared to our total revenue. All sales to customers for our Trading Division are based on purchase orders. We have not entered into supply contracts with any of our Trading Division customers. As such, we are not dependent on any of our customers for the Trading Division.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.22 MAJOR SUPPLIERS

Our top 5 major suppliers for each of the past 4 FYEs 2017 to 2020 are as follows:

FYE 2017

No	Suppliers ⁽¹⁾	Country of origin	Products/services sourced	Value of purchases in FYE 2017		Length of relationship as at the LPD Years
				RM'000	%	
1	ABB Malaysia Sdn Bhd	Malaysia	ELP products and accessories	12,699	30.7	(2)13
2	Sungrow Power Group	China	Solar PV inverters	4,308	10.4	6
3	Jinko Solar Group	Malaysia	Solar PV modules	2,621	6.3	4
4	Chi-Tak Electrical (K.L.) Sdn Bhd	Malaysia	ELP conductor cables and accessories	2,445	5.9	17
5	Homsen Construction Group	Malaysia	Subcontracted civil and structural works	2,202	5.3	17
			Sub-total	24,275	58.6	
			Total purchases	41,396	100.0	

FYE 2018

No	Suppliers ⁽¹⁾	Country of origin	Products/services sourced	Value of purchases in FYE 2018		Length of relationship as at the LPD Years
				RM'000	%	
1	ABB Malaysia Sdn Bhd	Malaysia	ELP products and accessories	15,842	19.5	(2)13
2	JA Solar Group	China	Solar PV modules	13,138	16.2	4
3	Jinko Solar Group	China, Malaysia	Solar PV modules	8,884	11.0	4
4	Sungrow Power Group	China, Hong Kong	Solar PV inverters	6,399	7.9	6
5	Chi-Tak Electrical (KL) Sdn Bhd	Malaysia	ELP conductor cables and accessories	2,674	3.3	17
			Sub-total	46,937	57.9	
			Total purchases	81,102	100.0	

6. INFORMATION ON OUR GROUP (Cont'd)

FYE 2019

No	Suppliers ⁽¹⁾	Country of origin	Products/services sourced	Value of purchases in FYE 2019		Length of relationship as at the LPD Years
				RM'000	%	
1	Sungrow Power Group	China, Hong Kong	Solar PV inverters	12,522	18.9	6
2	ABB Malaysia Sdn Bhd	Malaysia	ELP products and accessories	9,544	14.4	(2)13
3	JA Solar Group	China	Solar PV modules	8,119	12.3	4
4	Jinko Solar Group	China, Malaysia	Solar PV modules	3,899	5.9	4
5	JY Engineering	Malaysia	Subcontractor for solar PV system installation	2,592	3.9	3
Sub-total				36,676	55.4	
Total purchases				66,203	100.0	

FYE 2020

No	Suppliers ⁽¹⁾	Country of origin	Products/services sourced	Value of purchases in FYE 2020		Length of relationship as at the LPD Years
				RM'000	%	
1	JA Solar Group	China	Solar PV modules	11,876	14.8	4
2	Sungrow Power Group	China, Hong Kong	Solar PV inverters	11,548	14.4	6
3	W J Furse & Co Limited	United Kingdom	ELP products and accessories	8,944	11.2	(2)13
4	Longi Solar Technology Co Ltd	China	Solar PV modules	8,780	10.9	2
5	JY Engineering	Malaysia	Subcontractor for solar PV system installation	4,332	5.4	3
Sub-total				45,480	56.7	
Total purchases				80,193	100.0	

6. INFORMATION ON OUR GROUP (Cont'd)

Notes:

(1) The companies within our supplier grouping are as follows:

Supplier grouping	Companies
Sungrow Power Group	SUNGROW Power Supply Co Ltd, SUNGROW Power Global Sales Co Ltd and Evergreen Power Supply Co Limited
Homsen Construction Group	Homsen Construction Sdn Bhd and Homsen Construction Works
JA Solar Group	JA Solar (Hefei) PV Technology Co Ltd, JA Solar (Xingtai) PV Technology Co Ltd and JA Solar (Shanghai) PV Technology Co Ltd
Jinko Solar Group	Jinko Solar Co Ltd, Jinko Solar Technology Sdn Bhd and Zhejiang Jinko Solar Co Ltd

(2) Prior to 2015, the Furse and FurseWeld brands of ELP products and accessories were supplied to us via other companies related to ABB group. From 2020 onwards, the Furse and FurseWeld brands of ELP products and accessories will be supplied via W J Furse & Co Limited's appointed suppliers.

Although we do not have any long-term agreements or arrangements with our major suppliers, we have not faced any material supply disruptions or delays from our major suppliers in the past 4 FYEs.

Save for the authorised distributorship for Furse and FurseWeld brands of ELP products and accessories, we are not dependent on any other suppliers for input materials and subcontracted services. Our authorised distributorship for Furse and FurseWeld brands of ELP products and accessories is subject to annual renewal. If we fail to renew our authorised distributorship for any reason, or if it is terminated for any reason, we may need to source alternative suppliers. However, some of our customers may not accept alternative brands, specifications or suppliers. This will adversely affect our business operations and financial performance. Although the purchases for Furse and FurseWeld brands of ELP products and accessories represented 30.7% of our purchases for FYE 2017, our purchases from them have declined as a percentage of total purchases, to 19.5%, 14.4% and 11.2% for FYE 2018, FYE 2019 and FYE 2020 respectively. The decrease was due to our efforts in promoting the sale of our brands of ELP products.

Sungrow Power Group has been our top 5 major suppliers for the past 4 FYEs. However, we are not dependent on them as we are able to purchase similar solar PV related products from other suppliers with no switching costs to our business operations. We have not experienced any disruptions in supplies for the past 4 FYEs.

7. INDEPENDENT MARKET RESEARCH REPORT



5 May 2021

The Board of Directors
Pekat Group Berhad
3A, 5 and 6, No. 6, Jalan Teknologi 3/4,
Taman Sains Selangor 1, Kota Damansara,
47810 Petaling Jaya, Selangor

Vital Factor Consulting Sdn Bhd
(Company No.: 199301012059 (266797-T))

V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel: (603) 7931-3188
Fax: (603) 7931-2188
Email: enquiries@vitalfactor.com
Website: www.vitalfactor.com

Dear Sirs and Madams

Independent Assessment of The Solar Photovoltaic, Earthing and Lightning Protection System and Distribution of Electrical Products Industries in Malaysia

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

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

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

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders (formerly known as the Australian Institute of Management). He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Securities.

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

INDEPENDENT ASSESSMENT OF THE SOLAR PHOTOVOLTAIC, EARTHING AND LIGHTNING PROTECTION SYSTEM AND DISTRIBUTION OF ELECTRICAL PRODUCTS INDUSTRIES IN MALAYSIA

1. INTRODUCTION

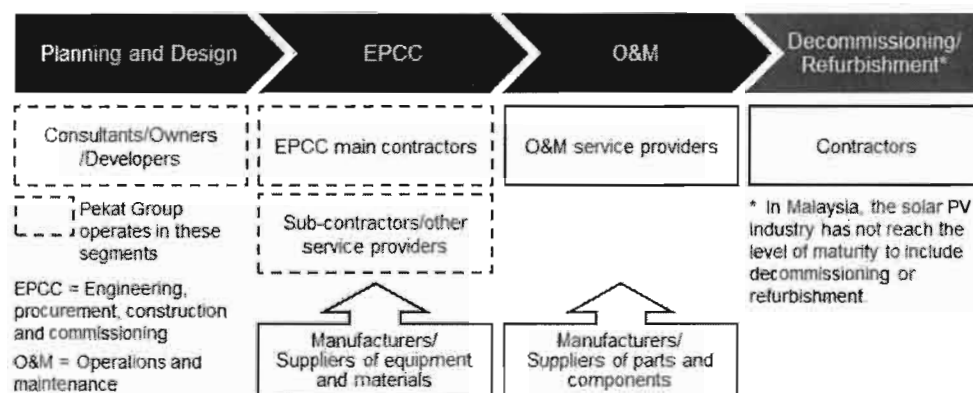
- Pekat Group Berhad and its subsidiaries (Pekat Group) is involved in the design, supply and installation of solar photovoltaic (PV) systems and power plants (solar PV facility), supply and installation of earthing and lightning protection (ELP) systems and distribution of electrical products and accessories in Malaysia, which will be the focus of this report.

2. SOLAR PHOTOVOLTAIC INDUSTRY

- Power generation requires a primary energy source which generally includes renewable, such as solar, and non-renewable sources, such as fossil fuel. Solar PV facility uses solar cells to convert sunlight directly into electricity. Solar PV power competes against other methods of power generation mainly from the perspective of cost and impact on the environment.

2.1 Overview of the Solar PV Industry

- The value chain and lifecycle of the solar PV industry are depicted in the diagram below:

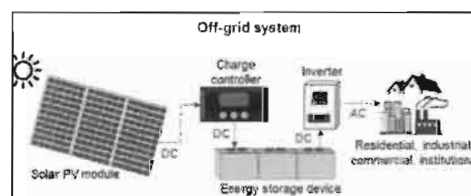


- Globally, solar PV generated power has been growing as a source of renewable energy driven by its rapid deployment in Asia particularly in China, Japan and India. The global cumulative solar PV installed capacity recorded a compound annual growth rate (CAGR) of 28.6%, from 228 Gigawatts (GW) in 2015 to 623 GW in 2019. (Source: Vital Factor Analysis)

2.2 Solar PV Facilities

- Solar PV projects are commonly differentiated by installed capacity, where solar PV systems refer to those with power generating capacity of less than 1 megawatt alternate current (MWac), and solar PV power plants with power generating capacity of 1 MWac or more. Generally, solar PV facilities can be categorised into the following:

- off-grid system** refers to a solar PV facility that is not connected to the power grid. An off-grid solar PV facility is usually equipped with an electricity storage system to supply electricity when the solar PV facility is not generating electricity.

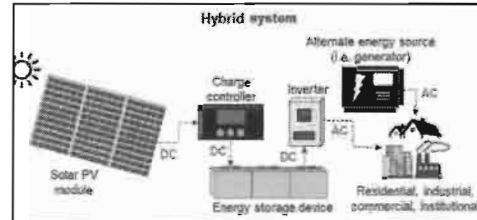


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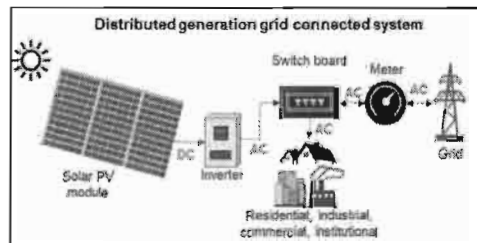
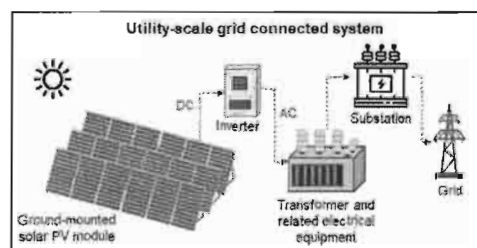
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- **on-grid (or grid connected) system** refers to a solar PV facility connected to the power grid where the power generated can be exported or power can be drawn from the power grid.
- **hybrid system** combines electricity generated from a solar PV facility with another power source, such as a diesel power generator set.



- Solar PV projects are also classified as follows:

- **centralised** (also referred to as utility scale or large scale) solar PV power plants have a capacity of 1 MWac and above. They are usually ground mounted or floated on water and connected to the grid to export power. They may also be off-grid to provide electricity to users in remote areas or for specific localised users and developments.
- **distributed** solar PV facilities are commonly small-scale systems installed at or near the facilities or premises where the power will be used. They are usually mounted on rooftops or integrated into the building façade. On-grid solar PV facility can export power to the grid, or draw power from the grid when required.



- Pekat Group is involved in both centralised and distributed solar PV facilities, including on-grid, off-grid and hybrid facilities.

2.3 Solar PV Programmes

- One of the main drivers of growth in the solar PV industry in Malaysia is through the establishment of government initiated solar PV programmes. The following are some of the programmes:

Solar Energy Programmes		
Residential/Commercial/Industrial/Agricultural	Developer/Investor/Owner	Government
<ul style="list-style-type: none"> • FIT • NEM • SELCO 	<ul style="list-style-type: none"> • LSS PV Power Plants 	<ul style="list-style-type: none"> • MySuri • BELB • SARES
<small>FIT and NEM by SEDA; LSS, MySuri and SELCO by Energy Commission BELB by Ministry of Rural Development; SARES by Sarawak State Government</small>		

(a) Residential/Commercial/ Industrial/Agriculture

Feed-in-Tariff (FiT) programme obliges the distribution licensees, including Tenaga Nasional Berhad (TNB) and Sabah Electricity Sdn Bhd (SESB), to buy electricity generated from renewable resources produced by Feed-in approval holders (FiAH) at a pre-determined rate for a specific duration. Renewable resources eligible for the FiT programme are solar PV, biogas, biomass and small hydropower. This programme was first implemented in 2011 and generated 430.51 gigawatt hours (GWh) of solar PV power in 2018. This programme has not had any new quota allocation since 2017, except for 5 MW under the community category. (Source: SEDA)

Net Energy Metering (NEM) programme was introduced in November 2016 to replace the FiT programme for solar PV facilities. NEM programme allows consumers to generate solar PV power for their own consumption, and export any excess electricity to the power grid. There was an allocation of a quota of 500 MW under the NEM programme up to the year

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

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2020. Effective from 1 January 2019, the NEM programme was enhanced (NEM 2.0) to offer a one-on-one offset by off-setting every 1 kilowatt hour (kWh) exported with 1 kWh consumed from the grid. The quota under the NEM 2.0 was subscribed by 31 December 2020. On 29 December 2020, a new NEM 3.0 programme was introduced and the total quota allocation is up to 500MW.

With the NEM programme, solar power consumers may purchase power on a pay-per-use basis from solar PV facility owners via power purchase agreements (PPA), or lease solar PV facilities from owners based on solar leasing agreements (SLA). There are two payment arrangements:

- **Supply Agreement for Renewable Energy (SARE)** is a tripartite agreement among the consumer, investor, and TNB where payment is through TNB electricity bills. This is only available to consumers that are registered with TNB in Peninsular Malaysia.
- **Direct Contract** is an arrangement involving the power consumer and investor.

Self-consumption (SELCO) enables power consumers to hedge against the rising cost of electricity by installing solar PV facilities for their own use. Any excess electricity generated under SELCO is not allowed to be exported to the power grid.

(b) Developers/Investors/Owners

Large Scale Solar (LSS) PV power plant programme is for utility grid connected system with a power generation capacity of 1 MWac or more. The LSS programme is based on competitive bidding. Companies awarded are responsible for the full development including, among others, acquisition of land, construction of the solar PV power plant and on completion, operate and maintain the plant. The entity awarded with LSS projects will sign a 21-year PPA with TNB or SESB. *(According to Budget 2020, this PPA will be replaced with an open market system.)*

The LSS programme by the Energy Commission was first launched in 2016 through approvals of fast-track contracts and completed four rounds of competitive biddings (LSS1, LSS2, LSS3 and LSS@MEnTARI).

LSS Programme	LSS Fast Track [^]			LSS@MEnTARI		Total
	LSS 1*	LSS 2	LSS 3			
Number of Projects Awarded	4	18	41	5	30	98
Export Capacity Awarded (MWac)	250	401	562	491	823	2,527

[^]LSS fast track projects refer to pioneer projects awarded without competitive bidding.

*Excluded a 50 MWac project in Tanjung Malim that was subsequently withdrawn in 2017.

In May 2020, the Ministry of Energy and Natural Resources announced the LSS@MEnTARI with a solar quota release of 1,000 MWac for Peninsular Malaysia. The bid was opened on 31 May 2020 and bids submitted by 2 September 2020. This LSS@MEnTARI is the largest quota offered for bidding compared to the previous LSS1, LSS2 and LSS3 programmes which ranged between 250 MW and 500 MW.

(c) Government: The federal and state governments, including government-link entities, have also initiated solar PV programmes where they are owners of the solar PV facilities.

- (i) **MySuria**, initiated by SEDA and first implemented in 2017, aimed to help low income households to generate additional income by exporting power generated by solar PV systems installed on their premises to the power grid. As of 2018, there were 332 houses with an installed capacity of 0.003 MW each under this programme (Source: SEDA). The Government subsequently discontinued the programme.

7. INDEPENDENT MARKET RESEARCH REPORT (Cont'd)

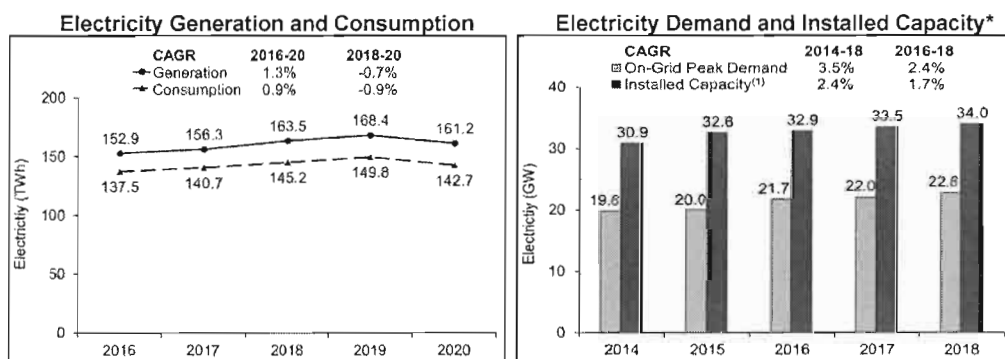


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- (ii) **Rural Electricity Supply Programme (BELB)** is a federal government programme, first implemented in 1982, to provide reliable electricity supply to remote areas in Malaysia, by either developing transmission lines to connect remote areas to the power grid, or developing on-site power generation sources such as hybrid solar PV facilities, diesel power generator systems and diesel-battery hybrid systems. In 2020, RM553.5 million were allocated to finance this programme (*Source: Ministry of Rural Development, Malaysia*).
 - (iii) **Sarawak Alternative Rural Electrification Scheme (SARES)** is a RM500 million electrification programme to provide power to locations that are not feasible to be connected to the power grid. This includes developing standalone solar PV or micro hydropower systems. The programme, first implemented in 2016, has electrified an estimated 6,346 households in 238 villages by 2019. It was estimated that by 2021, SARES would electrify a total of 15,189 households in 560 villages (*Source: Sarawak Energy Bhd*).
- In addition to the above initiatives, the Malaysian Government had also allocated RM250 million for rural electrification which will benefit over 1,100 rural households as announced in the Budget 2021. Pekat Group has carried out FiT, NEM, SELCO, LSS, SARES, and MySuria programmes.

2.4 Overview of the Power Industry in Malaysia

- The solar PV industry falls within the larger electricity and gas industry. Between 2016 and 2020, gross domestic product (GDP) at current prices of the electricity and gas industry recorded a CAGR of 3.8% from RM27.0 billion in 2016 to RM31.3 billion in 2020, and a CAGR of 1.0% between 2018 and 2020 from RM30.1 billion in 2018 to RM31.3 billion in 2020. The GDP at current prices of electricity and gas declined by 3.6% in 2020 as compared to 2019. The decline was mainly due to slower economic activities following measures taken to contain the spread of the coronavirus COVID-19 pandemic.



* Latest available statistics. (1) Includes on-grid and off-grid installed capacity. (Sources: Department of Statistics, Malaysia (DOSM); Energy Commission Malaysia)

- In 2020, power generation exceeded consumption by 13.0%. The difference between power generation and consumption may be due to several factors including power loss through transmission, theft and unused power which is wasted as it is not stored.
- In 2019, being the latest available statistics, Peninsular Malaysia's electricity reserve margin was 38.0% with the peak electricity demand of 18,566 MW while Sabah and Labuan's electricity reserve margin was 23.0% with the peak electricity demand of 1,001 MW. Based on the latest available information, in 2017, the electricity reserve margin in Sarawak was 41.0% with the peak electricity demand of 3,040 MW. A high reserve margin may reduce the urgency to develop additional power generating facilities. In 2018, four newly awarded independent power producer contracts with a combined total capacity of 2,800 MW were terminated.

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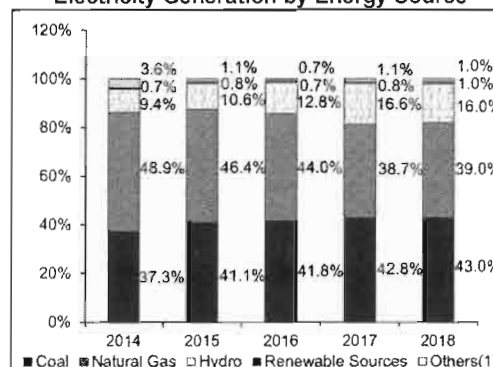


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2.5 Electricity Generation by Energy Source

- Based on the latest available statistics, in 2018, electricity in Malaysia was mainly generated from coal and natural gas which collectively amounting to 139,014 GWh representing 82.0% of total electricity generated. In 2018, electricity generated from solar energy amounted to 653 GWh, which represented 0.4% of total electricity generated.

Electricity Generation by Energy Source



Hydro refers to hydro power plants with capacity of 100 MW and above. (1) Includes diesel, medium fuel oil, distillate and others (Source: Energy Commission Malaysia)

2.6 Solar PV Installed Capacity

- In 2018, the implementation of the LSS programme boosted the growth of on-grid centralised solar PV facilities (ground mounted) installed capacity by 349.2%. In addition, on-grid distributed solar PV facilities also grew by 31.5% mainly due to the introduction of the NEM programme.

	Solar PV Cumulative Installed Capacity in Malaysia				
	Off-grid (include large hybrid) (MW)	On-Grid Distributed (rooftop) (MW)	On-Grid Centralised (ground mounted) (MW)	Total (MW)	Growth (%)
2015	1.00	139.36	80.67	221.0	29.4
2016	1.00	197.98	86.92	285.9	29.3
2017	8.90	230.19	88.92	328.0	14.7
2018	35.64	302.68	399.42	737.7	124.9
2019	41.53	371.12	715.59	1,128.2	52.9
CAGR (2015-19)	153.9%	27.7%	72.6%	50.3%	
CAGR (2017-19)	116.0%	27.0%	183.7%	85.5%	

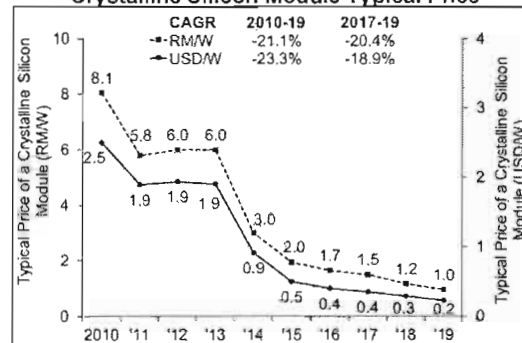
(Source: SEDA)

- Between 2015 and 2019, global cumulative solar PV installed capacity grew by CAGR of 28.6%, while Malaysia grew by 50.3%, albeit from a low base of 1.1 GW compared to countries such as China, USA, and Japan with 205.2 GW, 75.8 GW, and 63.2 GW respectively in 2019 (Source: Vital Factor analysis).

2.7 Solar PV Module Prices

- PV modules are the main component of solar PV facilities. There are various types of PV modules including crystalline silicon (including monocrystalline and polycrystalline) and thin-film PV modules. In 2018, crystalline silicon modules accounted for 97% of the total global production of PV modules, while the remaining 3% were thin-film PV modules. (Source: Vital Factor analysis).

Crystalline Silicon Module Typical Price



(Source: SEDA)

- The average price of crystalline silicon PV modules in Malaysia has declined significantly, with the price in 2019 (latest available) equivalent to only 12.3% of the price of the same type of PV module in 2010. While solar PV module prices may continue to fall, electricity tariffs may not track the price fall of solar PV modules. This is because other costs such as the balance of

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system (including inverters and transformers), land and construction may not fall in tandem with solar PV module prices, but may instead increase over time. Therefore, there is a limit to the reduction in the price of electricity before solar PV projects become financially unattractive.

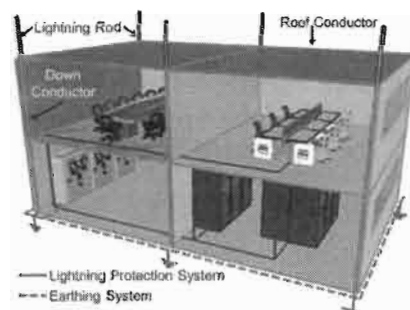
3. EARTHING AND LIGHTNING PROTECTION (ELP) SYSTEM

3.1 Industry Structure and position of ELP Systems

- ELP systems are part of mechanical and electrical (M&E) works which falls within the Specialised Construction sector of the overall Construction Industry. As such, ELP is dependent on the overall construction industry. M&E works comprise electrical installation (including ELP systems), plumbing, heat, and air conditioning installation as well as other construction installations such as elevators, escalators, automated and revolving doors, lightning conductors, vacuum cleaning system, and thermal, sound or vibration insulations.

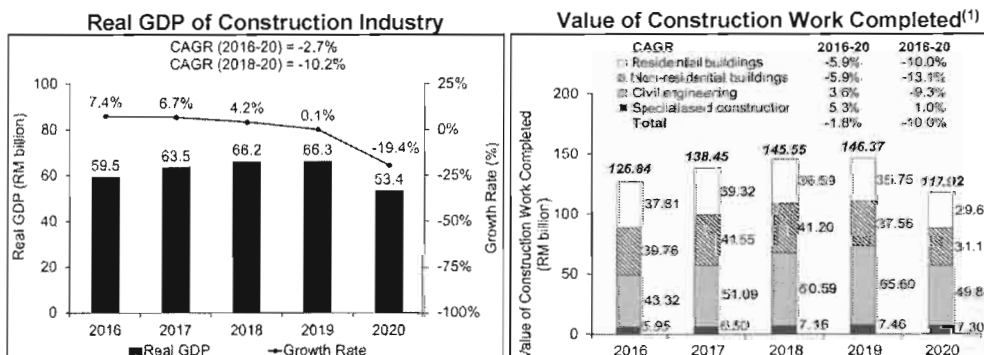
3.2 Overview of ELP System

- An ELP system is designed to channel unintended electricity safely into the earth. Unintended electricity may be caused by several factors including lightning strikes, short circuits or power surges. Unintended electricity may damage electrical equipment connected to the power system and may lead to electric shock to people causing injury or death. ELP systems are installed in buildings or infrastructures to prevent or reduce the risks of these incidences. ELP systems comprise two main inter-connected systems, namely the earthing system and lightning protection system.
- The earthing system is mainly focused on dissipating unintended electricity caused by short circuits or power surges. The main component of an earthing system is the earth electrode, a conductor buried in the earth where the unintended electricity is safely dissipated.
- The lightning protection system is installed in buildings and structures to intercept lightning to prevent damage to properties and lives. It provides a specific path to channel lightning safely into the ground.



3.3 Performance of the Construction Industry in Malaysia

- As the installation of ELP systems is part of the construction industry, this section analyses the performance of the construction industry in Malaysia.



CAGR = Compound annual growth rate; p = preliminary. (1) Total may not add up due to rounding; All construction work completed referred to in this section cover all main contractors with project value of RM500,000 and above, and are registered with Construction Industry Development Board (CIDB).
(Sources: Bank Negara Malaysia (BNM); DOSM)

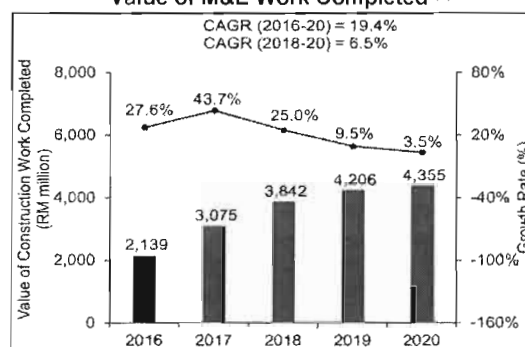
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- In 2020, the construction sector experienced a decline of 19.4%, reflecting reduced work capacity in compliance to containment measures, labour shortage due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 pandemic. Similarly, the specialised construction sector contracted by 2.1%, mainly due to measures taken to contain the spread of COVID-19. The specialised construction sector accounted for approximately 6.2% of the total value of construction work completed in 2020. (Source: BNM).
- In 2020, civil engineering works, non-residential, residential and specialised construction fell by 24.0%, 17.1%, 17.2% and 2.1% respectively. In the second quarter of 2020, almost all activities came to a standstill particularly in March and April. However, activity improved in the second half (2H) of 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects and spurred growth in the special trade subsector in 2H 2020. Activity in the residential and non-residential subsectors benefitted from new housing projects and ramp up in the progress of projects due for completion in the 2H of 2020, while the civil engineering subsector was supported by continued progress in large infrastructure projects.
- In 2021, the construction industry is expected to rebound by 13.4%, driven by the resumption of activities across all subsectors. Growth in the special trade subsector is expected to strengthen further with support from solar power projects, wider coverage and better quality of broadband under the Jalinan Digital Negara (JENDELA) programme, small-scale projects under Budget 2021 and the Pemerkasa stimulus package valued at RM20 billion, as well as end-works from the completion of large projects. However, the completion of large commercial projects is expected to weigh down on growth in the non-residential subsector. (Source: BNM)
- Pekati Group operates within the specialised construction sector.

3.4 M&E Works

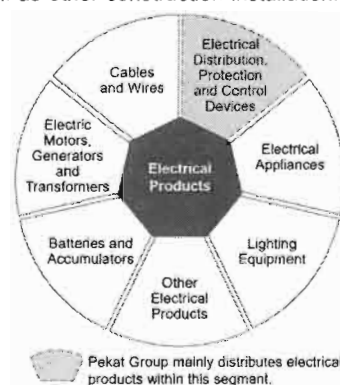
- ELP systems fall within the M&E segment of the Specialised Construction sector. In 2020, M&E works accounted for 3.7% of the total value of construction work completed. In 2020, the M&E works experienced slower growth due to a slowdown in the construction of residential and non-residential buildings resulting from the COVID-19 pandemic.

Value of M&E Work Completed ⁽¹⁾

(1) Comprise electrical installation (including ELP systems), plumbing, heat and air conditioning installation, as well as other construction installation. (Source: DOSM)

4. DISTRIBUTION OF ELECTRICAL PRODUCTS**4.1 Electrical Products**

- Pekati Group operates within the distributive trade industry as a wholesaler. Electrical products are machines, equipment, apparatus, appliances and devices that require electricity for them to function. They also include those that generate, transmit, distribute, control or store electricity. In the context of this report, they also include parts and components that make up the final electrical product. Accessories are various types of hardware and products that may not be electrical in nature but are commonly incorporated when using, installing or fabricating an electrical product or system.



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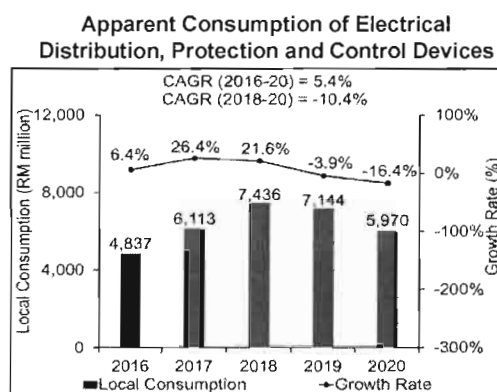


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- Electronic products, although they use electricity, are in a special category on their own that is distinct from electrical products. Many electrical products incorporate electronic parts and components to improve efficiency, accuracy, functionality, user interface and aesthetics.

4.2 Apparent Consumption of Electrical Distribution, Protection, and Control Devices

- Apparent consumption measures the amount of a product consumed or used in a country within a given period. It is derived by adding imports to local production and subtracting exports during the period being measured.
- Between 2018 and 2020, the apparent consumption of electrical distribution, protection and control devices declined at an average annual rate of 10.4%.
- In 2020, local production, imports and exports of electrical distribution protection and control devices declined by RM573 million, RM1.615 billion and RM1.015 billion respectively compared to 2019.
- In 2020, local production, imports and exports of electrical distribution protection and control devices amounted to RM6.449 billion (growth = -8.2%), RM10.880 billion (growth = -12.9%) and RM11.358 billion (growth = -8.2%) respectively. The decrease in apparent consumption was mainly due to lower demand attributed to measures taken to contain the spread of COVID-19.
- Malaysia depends significantly on imports of electrical distribution, protection, and control devices which amounted to RM10.880 billion in 2020, where imports were approximately 1.7 times larger than local production.



5. KEY REGULATIONS GOVERNING THE SOLAR PV, ELP SYSTEMS AND DISTRIBUTION OF ELECTRICAL PRODUCTS INDUSTRIES

- Some of the regulations governing solar PV, ELP systems and distribution of electrical products industries include the following:
 - Energy Commission**, a statutory body responsible for regulating the energy sector in Peninsular Malaysia and Sabah. According to the Electricity Regulation 1994:
 - electrical works for solar PV facility and ELP system can only be undertaken by contractors with valid Certificate of Registration granted by the Energy Commission;
 - solar PV facility is required to be registered with the Energy Commission;
 - Certificate of Approval (CoA) is issued by the Energy Commission for the manufacture, import, display, sale or advertisement of any electrical equipment under the regulated list. Such equipment refers to any domestic or low voltage equipment usually sold directly to the general public or which does not require special skills in its operations. Approved electrical equipment is required to be affixed with safety labels before being sold to the public.
 - Construction Industry Development Board (CIDB)**, a government body to regulate, develop and facilitate the Malaysian construction industry. Those involved in construction and related activities, including solar PV facility and ELP system contractors, are required to hold a valid CIDB certificate of registration when carrying out construction works.

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- (c) **SEDA**, a statutory body established to promote and administer the deployment of sustainable energy programmes, which requires registration of operators providing solar PV services under FiT and NEM programmes.

6. OPERATORS IN THE INDUSTRY

- As of 5 May 2021, there were 163 SEDA registered solar PV service providers, which is a requirement to carry out projects under the NEM programme; 141 CIDB registered contractors for solar PV facility with a capacity exceeding 72 kW; and 81,314 CIDB registered contractors under the mechanical and electrical engineering category, of which 8,758 were G7 registered contractors. For 2019/2020 there were approximately 540 companies involved in the distribution of electrical products in Malaysia registered as members of The Electrical and Electronics Association of Malaysia (TEEAM) or its affiliated state associations. It should be noted that there are distributors who are not registered with TEEAM.
- Below are some public listed companies or their subsidiaries, as well as private companies involved in the design, supply and installation (DSI) of solar PV facilities and/or ELP systems and/or distribution of electrical products.

Company	Financial Year Ended ⁽¹⁾	Revenue (RM million) ⁽²⁾	Net Profit (RM million) ⁽²⁾	Net Profit Margin (%)
Pekati Group	Dec-20	125.6	13.6	10.8
Solar PV Service Providers				
Shorefield S/B	Dec-19	508.6	160.8	31.6
Mattan Engineering S/B	Dec-18	282.3	3.6	1.3
Scatec Solar Solutions Malaysia S/B ⁽³⁾	Dec-19	272.4	99.8	36.6
Solarvest Holdings Berhad ⁽⁴⁾	Mar-20	253.4	16.0	6.3
Plus Solar Systems S/B	Mar-20	164.3	21.2	12.9
Samaden Group Berhad	Jun-20	76.2	7.2	9.5
Pekati Group Solar PV Segment	Dec-20	72.1	4.6	6.4
System Protection & Maintenance S/B	Dec-19	60.8	6.3	10.4
Gading Kencana S/B	Dec-19	47.1	1.6	3.4
Helios Photovoltaic S/B	Mar-19	46.5	-3.2	-6.9
Hasilwan (M) S/B	Sept-19	38.2	-0.3	-0.8
Panasonic Life Solutions Malaysia S/B ⁽⁵⁾	Mar-19	37.8	3.9	10.3
El Power Technologies S/B ⁽⁶⁾	Dec-19	26.6	1.7	6.4
ELP System Service Providers				
Pekati Group ELP Systems Segment	Dec-20	26.4	3.1	11.7
Tecsys Product S/B	Jun-18	20.6	0.7	3.4
Tokai Engineering (M) S/B	Dec-19	17.3	2.1	12.1
Global Lightning Technologies (M) S/B	Oct-19	10.2	0.1	1.0
Distributors of Electrical Products				
Pansar Berhad	Mar-20	338.7	7.3	2.2
EITA Resources Bhd	Sept-20	284.1	18.3	6.4
ACO Group Berhad	Feb-20	134.3	7.8	5.8
Pekati Group Distribution Segment	Dec-20	27.0	5.7	21.1

S/B = Sdn Bhd Sources: SEDA, published information, annual reports, websites and research.

(1) Latest available from Companies Commission of Malaysia (CCM), annual reports, the prospectus of Samaden Group Berhad and Pekati Group.

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- (2) Revenues and net profit were derived from DSI of solar PV systems and/or power plants as well as other business activities, provision of ELP systems as well as other business activities, or from distribution of electrical products as well as other business activities. For Solar PV service providers, the majority of the companies' revenues were from DSI of solar PV systems and/or power plants.
- (3) A subsidiary of Scatec Solar ASA, a listed entity on the Oslo Stock Exchange in Norway.
- (4) A public listed company on Bursa Securities in Malaysia where its subsidiaries, namely Atlantic Blue S/B, Solarvest Energy S/B, and Powertrack S/B are registered with SEDA under the service provider category.
- (5) A subsidiary of Panasonic Corporation, a listed entity on the Tokyo and Nagoya Stock Exchange in Japan.
- (6) A subsidiary of OCK Group Berhad, a listed entity on Bursa Securities in Malaysia.

The list above comprises public listed companies and/or their subsidiaries, and private companies. Solar PV service providers were selected based on (a) registered with SEDA under the Service Provider category involved in DSI of solar PV facilities; (b) revenue of RM20 million and above based on latest available financial information. ELP system service providers are CIDB registered contractors and involved in the provision of ELP system. For distributors of electrical products, only public listed companies with subsidiaries involved in the distribution of electrical products were selected.

7. MARKET SIZE AND SHARE**7.1 Solar PV Market**

2019 (being the latest available statistics)		
Rough estimation of Malaysia's market size by business value* of installed grid connected solar PV facilities ^{(a) (1)}	Pekati Group's revenue for the DSI of solar PV systems and power plants ^(b)	Rough estimate of market share of Pekati Group by value ^(c)
RM1,684.8 million	RM58.3 million	3%

(Sources: (a) SEDA; (b) Pekati Group; (c) Vital Factor analysis) * Business value is the DSI cost of installing solar PV systems and power plants covering labour, service, hardware and material costs, excluding land cost. **Notes:** (1) Total installed capacity (distributed grid-connected = 68.44 MW; centralised grid-connected = 316.17 MW) multiplied by average cost (distributed grid-connected = RM6.6/W; centralised grid-connected = RM3.9/W) of constructing solar PV facilities for 2019.

2019 (being the latest available statistics)	
Malaysia's market size by installed capacity of solar PV systems and power plants ^(a)	390.5 MW
Pekati Group's market share ^(b)	5%

(Sources: (a) SEDA; (b) Vital Factor analysis) **Note:** Pekati Group's installed capacity of solar PV systems and power plants for FYE 31 December 2019 was 19.1 MW (Source: Pekati Group).

7.2 M&E Market

2021		
Malaysia's market size of M&E work completed ^(a)	Pekati Group's revenue for supply and installation of ELP systems ^(b)	Market share of Pekati Group ^(c)
RM4,355 million	RM26.4 million	Less than 1%

(Source: (a) DOSM; (b) Pekati Group; (c) Vital Factor analysis)

7.3 Electrical distribution, protection and control devices market

2020		
Malaysia's market size for the distribution, protection and control devices ^{(a) (1)}	Pekati Group's revenue for distribution of electrical products and accessories ^(b)	Pekati Group's Market Share ^(a)
RM5,970 million	RM27.0 million ⁽²⁾	Less than 1%

(Source: (a) Vital Factor analysis; (b) Pekati Group) **Notes:** (1) Market size based on apparent consumption. (2) Revenue from distribution of ELP related products and surge protection devices.

8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 Impact of Covid-19 on our business operations and financial performance

The World Health Organisation declared Covid-19 a pandemic on 11 March 2020. Our business and operations were impacted by precautionary measures taken by the Government of Malaysia, particularly the imposition of the MCO.

We experienced disruptions to our Solar Division and ELP Division due to stoppages at our installation sites and reduced installation site staffing levels, as summarised in the following table:

	Solar Division	ELP Division
Work site stoppage	18 March 2020 to 6 May 2020	18 March 2020 to 26 April 2020
Reduction in work site staff levels	7 May 2020 to 9 June 2020	27 April 2020 to 9 June 2020

These disruptions have affected our project implementation and billing schedules for some of our on-going solar PV and ELP projects. The implementation of projects amounting to RM9.8 million and RM2.2 million in revenue for our Solar Division and ELP Division, respectively was deferred from the 1st half of 2020 to the 2nd half of 2020, and consequently the corresponding revenue recognition was also deferred from the 1st half of 2020 to the 2nd half of 2020.

RM3.5 million in revenue for our Solar Division and RM2.2 million in revenue for our ELP Division was deferred from fourth quarter of 2020 to second quarter of 2021.

Whilst we have written to our customers for extension of time to implement on-going projects that have been delayed by the work stoppages and slowdown during the MCO and CMCO periods, we have yet to receive responses from some of our customers. Following the gazetting and coming into force of the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 on 23 October 2020, if we are unable to complete our projects in time due to the MCO, our customers will not be able to claim liquidated ascertained damages and/or terminate the contract between us. From March 2020 to the LPD, none of our customers have made claims against the Group for delays or failure to complete projects due to Covid-19. We did not experience any material adverse effect on our revenue recognition or claims for liquidated ascertained damages for our Solar Division and ELP Division for FYE 2020 due to the delay caused by work stoppages.

We experienced some disruption to our Trading Division as the business activity was suspended from 18 March 2020 to 5 May 2020, and resumed from 6 May 2020. However, none of the purchase orders that we had received prior to 18 March 2020 were cancelled.

During the MCO when our operations were fully halted, we incurred an estimated total expense of RM3.0 million. Nevertheless, save for the deferment of RM3.5 million in revenue for our Solar Division and RM2.2 million in revenue for our ELP Division from fourth quarter of 2020 to second quarter of 2021, there are no other financial impact for FYE 2020.

8. RISK FACTORS (Cont'd)

On 27 January 2021, we were informed that 2 sales and marketing employees of Pekat Engineering who are based at our head office received positive diagnosis for Covid-19. The measures that we took upon receiving this information included, among others, conducting contact tracing and testing of identified close contacts, following which 1 additional employee received a positive diagnosis for Covid-19 on 28 January 2021. All 3 employees who had tested positive for Covid-19 were instructed to self-quarantine and work from home. They were required to conduct a second Covid-19 diagnostic test on 5 February 2021, and all 3 employees received a negative test result and obtained their Clearance or Discharge Letter from the Ministry of Health Malaysia by 8 February 2021. They were allowed to return to the head office on 18 February 2021.

Identified close contacts were instructed to self-quarantine and work from home for 14 days up to 10 February 2021. Other employees were instructed to work from home, and only allowed to return to the head office on 1 February 2021. We closed our head office and warehouse from 27 January 2021 to 1 February 2021, and disinfected our head office and warehouse on 27 January 2021. This closure of our head office did not result in any material disruption to our business operations.

Notwithstanding that our Group had undertaken necessary precautionary measures and steps in response to the Covid-19 situation, there can be no assurance that neither our workers nor the workers of our subcontractors will not be infected by the Covid-19 virus. Should all or a portion of our employees or our subcontractors' employees be quarantined as a result of potential infection, our business operations may be affected due to a temporary shortage of workers. Further, should the MCO be re-imposed, there can be no assurance that our business operations will not be materially impacted and that we will be able to complete our projects in a timely manner. These disruptions to our business operations will in turn delay our project delivery schedule and our billing schedule, which may consequently result in adverse impact on our financial performance.

Please refer to Section 6.7 for further details relation to how Covid-19 affected our business operations.

8.1.2 Our growth and profitability is dependent on our ability to continuously secure new projects and purchase orders

For past FYEs, our Solar Division and ELP Division which are project-based in nature had collectively accounted for 66.0%, 73.9%, 74.7% and 78.4% of our total revenue respectively.

During the past 4 FYEs and up to the LPD, the contract periods of our solar PV projects were between 3 months to 18 months, while the contract periods of our ELP projects typically require between 12 months to 36 months, depending on the main contractor's work schedule.

As at the LPD, our order book comprised unbilled contracts amounting to a total of RM154.9 million and purchase orders for our Trading Division of RM12.4 million. However, there can be no assurance that we will be able to maintain at least such level of order in the future. In addition, our order book is subject to unexpected project cancellations or scope adjustments which may occur from time to time and which could reduce the value of our order book. Purchase orders secured may also be cancelled.

8. RISK FACTORS (Cont'd)

8.1.3 We are subject to the risk of defect liability, product liability and performance warranty risks

(i) Solar Division

A defect liability period is imposed on us for contracts we secure for Solar Division. The defect liability period is stipulated in the respective customer's contract and is usually for a period of 12 months or 24 months, although for some customers it is for a period of 60 months or 120 months. We are responsible for making good any defects or faults that may occur during the defect liability period.

Some of the solar PV facility components such as solar PV modules, inverters, transformers, solar PV manufacturing system and mounting system are covered against manufacturing defects by their respective product warranties and as a result, the manufacturers or suppliers are responsible for providing suitable replacements. Our solar PV modules also come with a performance warranty from our manufacturers that the power generated by the solar PV modules will not be less than 80.0% of the installed capacity during the commercial operation period of approximately 25 years.

However, we are responsible for the cost of replacing the component, which typically includes the costs of labour, transportation and consumables. If we are unable to claim from the manufacturers due to our negligence or the amounts of the claim cannot be recovered in full or at all from the manufacturers, we may be required to bear some or all the costs of the claims.

(ii) ELP Division

A defect liability period is imposed on us for contracts we secure under ELP Division. The defect liability period is stipulated in the respective contracts and is usually for 24 months. We are responsible for making good any defects or faults that may occur during the defect liability period.

Some of the ELP systems components such as conductors, earth electrodes, leads and joints, lightning rods and surge protection device are covered against manufacturing defects by their respective product warranties and as a result, the manufacturers or suppliers are responsible for providing suitable replacements. We are responsible for our brands of products, which we have back-to-back arrangements with our third party manufacturers.

However, we are responsible for the cost of replacing the component, which typically includes the costs of labour, transportation and consumables. If we are unable to claim from the manufacturers due to our negligence or the amounts of the claim cannot be recovered in full or at all from the manufacturers, we may be required to bear some or all the costs of the claims.

As at the LPD, there have been no material claims in relation to the defect liability period for our ELP division. Nevertheless, there can be no assurance that our ELP division will not receive material claims in relation to defect liability period in the future.

(iii) Trading Division

While our principals and third party manufacturers are likely to be the most directly exposed to the risk of product liability (as the brand owner or party manufacturing the products), we as a distributor may also be exposed to product liability risks. Product liability generally involves, among others, manufacturing defects, design

8. RISK FACTORS (Cont'd)

defects or defective warnings or instructions and product mislabelling. Customers claiming damages from these defects may take legal action against us as a distributor, which may impact on our business, as well as create negative publicity that may damage our reputation.

As at the LPD, we also distribute our brands of electrical products and accessories which are used as input materials in the ELP Division such as surge protection devices, ELP conductors and accessories, exothermic welding systems and aviation warning light systems.

We are responsible for our brands of products, which we have back-to-back arrangements with our third party manufacturers. For third party brand products, we have back-to-back arrangement with our principals. For the past FYEs and up to the LPD, we have not had any material claims relating to product warranties for our Trading Division.

8.1.4 We are subject to the risk of claims against solar PV facility minimum power supply guarantees

We provide a minimum power supply guarantee to customers of our Solar Division under the fixed lump sum plus variable periodic payment contract mode of operation for the contract duration period, which is commonly up to 25 years from the date of acceptance of handover. We also provide a minimum power supply guarantee to MFP Solar's solar PV power plants of 15 years and 20 years upon the acceptance of handover under the operations and maintenance contract between Pekat Solar and MFP Solar.

In the event that the solar PV facility does not generate the Performance Guarantee (kWh) as set out in the respective contract, we will have to compensate the customer for the shortfall based on the terms specified in the respective contract (referred to as the "Performance Guarantee Payment") at the applicable tariff rate of TNB.

An example of the calculation for the Performance Guarantee Payment is as follows:

Performance Guarantee (kWh)	Actual Power Generated (kWh)	Shortfall ⁽¹⁾ (kWh)	Applicable TNB Tariff (RM/kWh)	Performance Guarantee Payment ⁽²⁾ (RM)
100,000	80,000	20,000	0.355	7,100

Notes:

⁽¹⁾ 100,000 kWh – 80,000 kWh

⁽²⁾ RM0.355/kWh x 20,000 kWh

The circumstances that may lead to the solar PV facilities failing to meet the minimum power supply guarantee may include, among others, buildings or structures that cast shadows over the solar PV modules; accumulation of dust or debris on the solar PV modules; excessive performance degradation or malfunction of some of the solar PV modules; occurrence of haze, unusually high rainfall or cloud cover, or other weather conditions; and malfunction or inefficiency of inverters. If we fail to compensate our customers for the shortfall, our customers may terminate the contract and seek any remedy or rights available to them under the contract.

8. RISK FACTORS (Cont'd)

As at the LPD, there have been no past incidences where the minimum power supply guarantees were not met, and consequently there have not been any compensation provided to customers for such shortfalls. However, there can be no assurance that the minimum power supply will continue to be met in the future.

We have purchased insurance to cover any consequential losses in the event we fail to meet the minimum power supply guarantee. The insurance purchased is based on the installed capacity of each solar PV facility. However, there is no assurance that our insurance may be adequate to cover all potential losses.

8.1.5 We face competition from other service providers that serve the solar PV and ELP system industries and competition from other distributors and suppliers of electrical products and accessories

We face competition from other service providers that serve the solar PV and ELP system industries. We compete on, among others, quality of product and service, timeliness of delivery, price competitiveness and value added services.

As at 5 May 2021, there were 163 SEDA registered solar PV service providers, which is a requirement to carry out projects under NEM programme. As at 5 May 2021, there were 141 CIDB registered contractors for solar PV facilities with capacity exceeding 72 kW (Source: IMR Report). Pekat Solar is registered as a solar PV service provider with SEDA and a Grade 7 contractor with CIDB.

As at 5 May 2021, there were 81,314 CIDB registered contractors under the mechanical and electrical engineering category, of which 8,758 were Grade 7 registered contractors (Source: IMR Report). Pekat E&LP is registered as a Grade 7 mechanical and electrical contractor with the CIDB.

We also face competition from other distributors and suppliers of electrical products and accessories. For 2019/2020, being the latest available statistics, there were approximately 540 companies involved in the distribution of electrical products in Malaysia registered as members of The Electrical and Electronics Association of Malaysia (TEEAM) or its affiliated state associations. It should also be noted that there are distributors who are not registered with TEEAM (Source: IMR Report).

If we are unable to compete effectively on pricing, we may need to lower our pricing which will affect our profitability. Alternatively, we may lose out to our competitors based on various factors and not be able to secure sufficient contracts to grow our revenue. As such, there is no assurance that we can compete effectively which may negatively affect our financial performance.

8.1.6 We are dependent on the authorised distributorship for Furse and FurseWeld brands of ELP products and accessories

We are dependent on the authorised distributorship for Furse and FurseWeld brands of ELP products and accessories. Purchases of these products for the past 4 FYEs comprise between 11.2% to 30.7% of our total purchases. As at the LPD, the authorised distributorship for Furse and FurseWeld brands of ELP products and accessories is under ABB Malaysia Sdn Bhd. From 2020 onwards, the authorised distributorship will be under W J Furse & Co Limited's appointed suppliers.

Our authorised distributorship for Furse and FurseWeld brands of ELP products and accessories is subject to annual renewal. If we fail to renew our authorised distributorship for any reason, or if it is terminated for any reason, we may need to source alternative suppliers.

8. RISK FACTORS (Cont'd)

However, some of our customers may not accept alternative brands, specifications or suppliers. This will adversely affect our business operations and financial performance.

8.1.7 We are dependent on our third party manufacturers for our own brand products

We have our brands of electrical products which we distribute including surge protection devices, ELP related products and accessories, exothermic welding systems and aviation warning lighting systems which are manufactured by third party manufacturers under our specifications and quality control. As such, any product quality problems or interruptions in supply from our third party manufacturers may adversely affect our business operations and financial performance.

For the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, distribution of our brands of products amounted to 23.9%, 23.9%, 22.8% and 28.8% of our revenue from Trading Division. Please refer to Section 6.6.5.4(i) for details of our brands.

For the past 4 FYEs and up to the LPD, we have not experienced any material shortages or interruption of supply of our brands of electrical products from our third party manufacturers.

8.1.8 We are dependent on our Executive Directors and key senior management for continued success and the loss of their continued services may affect our business

We have an experienced management team headed by Chin Soo Mau, our Managing Director, who has approximately 26 years of experience in the supply and installation of ELP systems and 11 years of experience in the solar PV industry. He is supported by our Executive Director, Tai Yee Chee, who has approximately 25 years of experience in supply and installation of ELP systems and approximately 11 years of experience in the solar PV industry and our Executive Director, Wee Chek Aik who brings with him approximately 24 years of experience in the supply and installation of ELP systems and approximately 11 years of experience in the solar PV industry.

Our Executive Directors and key senior management play a pivotal role in our day-to-day operations as well as charting, formulating and implementing strategies to drive the future growth of our Group which is vital to maintain the quality of our Group's products and services whilst retaining the business confidence of our customers.

The loss of any of our Executive Directors and key senior management and our inability to find suitable replacements in a timely manner, may create an unfavourable or material impact on our Group's operations and may eventually affect our ability to maintain and/or improve our business performances.

8.1.9 Our business and financial performance may be affected by increases in the cost of implementing our projects and/or supplying our products

Increase in the cost of implementing our projects and/or supplying our products may have a material adverse effect on our business and financial performance. Increases in the cost of implementing our solar PV and ELP projects may arise from, among others, cost of materials including solar PV modules and balance of system, ELP related products, other materials, labour, transportation, subcontractor and overhead costs. Increases in the cost of our Trading Division arise from price increases from our principals for third party brands and our third party manufactures for our brands of products, as well as costs of transportation.

Cost increases will eventually require us to increase our tender or selling prices, which may reduce our competitiveness and thus affect our ability to secure new contracts or purchase orders which may affect our revenue and business growth. Alternatively, if we were to absorb

8. RISK FACTORS (Cont'd)

some of these costs to stay competitive, it may reduce our profit margins. We may also face the risk of unanticipated cost increases part way through our implementation of solar PV or ELP projects where we are unable to pass the cost increase to our customers as these project contracts are fixed lump sum contracts.

Main input materials namely conductors used in our ELP Division and for sale at our Trading Division are made of copper and aluminium. As such, the prices of these input materials are subject to fluctuations as a result of global demand and supply conditions. Any material increase in the prices of copper and/or aluminium may result in substantial increase in our cost of sales, thus affecting our financial performance should we fail to pass the increase in cost to our customers.

8.1.10 We are dependent on our subcontractors

We are dependent on subcontractors for all installation works of our solar PV facilities and ELP systems. Please refer to Section 6.6.3.15(iv) for details of the installation works carried out by subcontractors for solar PV facilities and Section 6.6.4.9(iv) for details of installation works carried out by subcontractors for ELP systems. For the past 4 FYEs, subcontracted services expenses accounted for 23.2%, 13.1%, 15.6% and 19.5% of our total purchases for the FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively.

Although all subcontractors work under our management and supervision, we face the risks that their work may result in defects or faults in the facilities or systems installed. Any defects or faults will need to be rectified which may cause delays in project completion or incur additional costs.

Our subcontractors are required to make good any defective or faulty works that may arise during the defect liability period in the facilities or systems that they install. Our subcontractors provide us with back-to-back defect liability period that is the same as the defect liability period that we provide to our customers.

8.1.11 Some of our subcontractors rely on foreign workers

The subcontractors that we engage to carry out installation works for our ELP Division rely on foreign workers to carry out the installation works. There is a risk that these subcontractors may experience labour shortages that affect their ability to carry out work for us in the event that their foreign workers leave Malaysia and are unable to return legally, experience delays in renewing their work permits, or fail to renew their work permits. On 29 July 2020, the Malaysian government had announced that foreign workers will be limited to work in only three sectors: construction sector; agricultural sector; and the plantation sector to ensure that Malaysians will be employed after the economy was badly hit by the Covid-19 pandemic. Our subcontractors are not affected by this decision as the installation works carried out for us fall under the construction sector.

In contrast, the subcontractors that we engage to carry out installation works for our Solar Division mainly hire Malaysian workers to carry out the installation works and do not rely on foreign workers.

For the past 4 FYEs and up to the LPD, we have not experienced any material delays to our ELP Division due to labour shortages experienced by our subcontractors. Nevertheless, there is no assurance that we will not experience these delays in the future.

8. RISK FACTORS (Cont'd)**8.1.12 Our business and financial performance may be affected if there are delays in completing our projects**

The contracts under our Solar Division and ELP Division contain specific timeline for delivery. Any material delays in achieving the milestones set out in the timeline for delivery may result in, among others, cost overruns, negative effect on our reputation and/or expose us to claims for liquidated assessed damages and other claims, penalties and liabilities.

Delay in implementing projects or completing them according to the timeline may arise due to, among others, delays or failure to obtain relevant permits or approvals from authorities, delays in the delivery of materials, shortages in labour, adverse weather conditions and measures implemented by the Government to control the spread of Covid-19 or other epidemics or pandemics in the future.

During the past 4 FYEs and up to the LPD, we have not experienced any material adverse financial impact from delays in implementing or completing projects according to their original contract delivery periods, or extended contract delivery periods as approved by the owner.

Our business, reputation and financial performance may be adversely affected if our projects are delayed in the future.

Nevertheless, some of our contracts under our Solar Division and ELP Division contain force majeure clauses. If the aforesaid events of delay fall within the definition of force majeure in our contracts, our obligations under the contract will be temporarily suspended during the period of the force majeure. However, we face the risk that the contract may be terminated if the force majeure event extends to such period giving our customers the right to terminate the contract.

8.1.13 We are subject to foreign exchange fluctuation risks which may impact the profitability of our Group

Some of the input materials we purchase for our Solar Division, ELP Division and Trading Division are sourced from our principals and third party manufacturers which are based overseas. The prices of these input materials are usually denominated in foreign currencies.

The currency denomination of our purchases during the past 4 FYEs are summarised in the following table:

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases in:								
RM	28,100	67.9	43,556	53.7	27,696	41.8	38,731	48.3
USD	11,324	27.3	35,136	43.3	36,751	55.5	37,920	47.3
Others ^	1,972	4.8	2,410	3.0	1,756	2.7	3,542	4.4
Total purchases	41,396	100.0	81,102	100.0	66,203	100.0	80,193	100.0

Note:

^ Comprising RMB, Euro and CHF.

In the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, our purchases of input materials from our overseas suppliers amounted to RM13.3 million, RM37.5 million, RM38.5 million and RM41.5 million. For illustration, assuming the fluctuation of RM against the foreign currencies is 5% and such foreign exchange fluctuations is not passed on to customers by way of selling

8. RISK FACTORS (Cont'd)

price changes, this will result in an increase or decrease in our GP for the FYE 2019 and FYE 2020 by RM1.9 million and RM2.1 million, respectively, depending on the direction of the foreign exchange movement between RM and said currencies.

We had entered into forward currency contracts to hedge our exposure against fluctuations in foreign currency for the purchases of input materials. Kindly refer to Section 11.10.1 for further details.

There can be no assurance that we will not be adversely affected by foreign exchange rate fluctuations in the future.

8.1.14 We face funding risks for our portion of capital investments as a minority shareholder of MFP Solar

As at the LPD, we hold a minority equity interest amounting to 45.0% in MFP Solar. As a shareholder of MFP Solar, we are responsible to contribute our portion of capital investments when MFP Solar carries out its solar PV power plant projects. Depending on the capacity of the solar PV power plant, the total capital required may range from RM3.0 million for small solar PV power plants of 1.0 MWp to RM30.0 million for solar PV power plants of 10.0 MWp. MFP Solar will typically utilise borrowings to part finance the capital requirement.

As an example of our potential capital investment obligations, if MFP Solar carries out a solar PV power plant project with a capacity of 10 MWp that requires total capital of RM30.0 million, our capital investment obligation under such situation is calculated as follows:

Total capital required	MFP Solar financing		Our capital investment obligation ⁽³⁾
	Borrowings ⁽¹⁾	Remainder ⁽²⁾	
RM30.0 million	RM24.0 million	RM6.0 million	RM2.7 million

Notes:

- (1) RM30.0 million x 80.0%
- (2) RM30.0 million x 20.0%
- (3) RM6.0 million x 45.0%

As such, there is a risk that we may not have sufficient funds to meet our capital investment obligations, which may result in MFP Solar's inability to take on new projects. If we were to seek borrowings for our portion of the capital investment, it will increase our gearing and we will be subjected to interest payments which will have a negative effect on our financial performance.

8.1.15 We face inherent risks for our investment in MFP Solar

We have a minority interest in MFP Solar which is involved in build, own, operate and transfer of solar PV power plants where the return on investments in building the solar PV power plants is from recurrent revenue based on PPA which typically are for periods ranging from 15 years up to 25 years. As at the LPD, MFP Solar has a PPA with VAT Manufacturing (Malaysia) Sdn Bhd for a period of 20 years and Pekat Solar has a PPA with Perusahaan Otomobil Nasional Sdn Bhd for 15 years (Proton PPA). Pekat Solar subsequently novated the Proton PPA to MFP Solar. Kindly refer to Section 6.6.3.14(ii) for further details.

8. RISK FACTORS (Cont'd)

The risks that we face for such long term projects may include, among others, the following:

- long breakeven periods typically up to 8 years;
- low returns on investment or loss of investment due to reimbursement to customer of shortfall for failure to meet minimum power generation guarantee; and
- force majeure events or incidents such as, among others, earthquakes, fires and floods that damage and render the facility not operational.

In the event of delays or failure of customers to pay due to, among others, liquidity problems, bankruptcies, liquidations or business closure, MFP Solar shall have the option to terminate the PPA. Thereafter, the customer is required to purchase the solar PV power plants from MFP Solar at a pre-agreed amount purchase price stipulated in the PPA contract. However, there is no assurance that MFP Solar will be able to collect the full pre-agreed purchase amount due to the customer's insolvency.

The customer may choose to purchase the solar PV facility before the PPA expires, in which case recurring revenue from the sale of power will end. However, the customer will have to pay MFP Solar a pre-agreed amount purchase price stipulated in the PPA contract.

8.1.16 We may be subject to impairment loss or bad debts

Our normal trade terms are cash term and credit terms as follows:

- (i) Solar Division - 30 days;
- (ii) ELP Division - 30 days to 60 days; and
- (iii) Trading Division - 30 days to 120 days.

In the event payment is not received within the credit period or we experience default in payments by our customers, we may provide impairment losses on trade receivables or write off trade receivables as bad debts, which will adversely affect our financial performance.

Our impairment losses on contract assets and trade receivables as well as trade receivables written off for the past 4 FYEs were as follows:

	Audited FYE 2017 RM'000	Audited FYE 2018 RM'000	Audited FYE 2019 RM'000	Audited FYE 2020 RM'000
Impairment loss on contract assets	-	-	284	638
Impairment loss on trade receivables/retention sum	324	988	3,318	176
Written off of trade receivables	15	90	-	*

Note:

* Negligible

Kindly refer to Section 11.2.6 for further details.

8. RISK FACTORS (Cont'd)

8.1.17 Our insurance coverage may not be adequate 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, we have taken up the following insurance policies:

- (i) Fire, public liability, burglary, plate glass, employers liability and all risks insurance policies, collectively up to an aggregate sum insured of RM21.8 million;
- (ii) Goods in transit up to an aggregate sum insured of RM0.5 million;
- (iii) Project insurance, with a sum insured of RM81.0 million; and
- (iv) Consequential losses insurance (for power supply guarantee), with a sum insured of RM2.7 million.

However, our insurance may not be adequate to cover all losses or liabilities that might arise in our operations. For example, while we are insured against losses resulting from fires and burglary, we do not maintain insurance against losses at our factory as a result of natural disasters.

Moreover, we will be subjected to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition and results of operations.

8.1.18 Our Solar Division is dependent on our customers financing their project and obtaining the relevant approvals from authorities

Our customers for the Solar Division are responsible for providing financing for 100.0% of the contract value under the fixed lump sum contract mode of operation, or 80.0% of the contract value under the fixed lump sum plus variable periodic payment contract mode of operation. In the event that our customer is not able to finance the contract value, we will not be able to proceed with the project.

The solar PV projects are also dependent on obtaining the relevant approvals from authorities to install the solar PV facilities and make interconnection to the power grid (if required). These approvals include, among others, approvals from SEDA, Suruhanjaya Tenaga, TNB and local authorities. As part of our solar PV projects, we are responsible for making the required applications to the authorities on behalf of our customer. We are not allowed to proceed with the installation of the solar PV facility until all of the necessary approvals are obtained. There can be no assurance that the necessary approvals will be granted to allow the project to proceed.

8.1.19 We are dependent on the retention of certain approvals, permits and licences

In order to undertake our solar PV projects, we are required to obtain and hold valid approvals, permits and licences such as Registration of Solar Photovoltaic Service Provider issued by SEDA and others as set out in Section 6.13. We must comply with the restrictions and conditions imposed by the relevant authorities in order to keep such approvals, permits and licences. Our approvals, permits and licences may be suspended or cancelled if we fail to comply with the applicable requirements or any required conditions. Delay or refusal may also occur when renewing such approvals, permits and licences upon their expiry.

8. RISK FACTORS (Cont'd)

Failure to keep or renew the requisite approvals, permits and licences could result in suspension or restriction of our business operations. We will not be able to participate in tenders or carry out our role in the Solar Division, which will adversely affect our business and financial performance.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 Demand for new power generation assets, including solar PV systems and plants, may be reduced due to sufficient power generation and high reserve margin

In 2019, being the latest available statistics, Peninsular Malaysia's electricity reserve margin was 38.0%, with peak on-grid power demand of 18,566 MW, while the Sabah and Labuan's electricity reserve margin was 23% with peak electricity demand of 1,001 MW. Based on the latest available information, in 2017, the electricity reserve margin in Sarawak was 41% with peak electricity demand of 3,040 MW. A high reserve margin may reduce the urgency to develop additional power generating facilities due to excess capacity. In 2018, 4 newly awarded independent power producer contracts with a combined total capacity of 2,800 MW were terminated (Source: IMR Report).

As a result, there can be no assurance that there will be sustained demand to develop new power generation assets in Malaysia, including solar PV systems and plants.

8.2.2 The solar PV industry is subject to its inherent risks

Our Solar Division is subject to risks inherent to the solar PV industry. These risks include, among others, changes in government policies and regulations relating to power generation, transmission and distribution (including potential retail sale of power to consumers and peer-to-peer (P2P) power trading); financial and other incentives provided to encourage new solar PV facilities; and decreases in electricity tariffs. Some of these changes may reduce the attractiveness of purchasing or investing in new solar PV facilities, which may have a materially adverse effect on our business and financial performance. As such, there can be no assurance that our business and financial performance will not be adversely affected by risks inherent in the solar PV industry.

8.2.3 The ELP system sector is dependent on the building and construction industry and as such, is subject to its inherent risks

Our ELP Division is dependent on the building and construction industry and as a result, we are subject to risks inherent to that industry. These inherent risks include, among others, dependence on the property market, infrastructure sector, general economic conditions in Malaysia changes to business conditions such as availability of labour supply, changes in labour and material costs as well as changes in government policies.

As such, there can be no assurance that our business and financial performance will not be adversely affected by any of the factors listed above.

8.2.4 Technological developments in power generation may result in other more cost efficient renewable and environmentally friendly generation methods

Other power generation methods that are renewable and environmentally friendly include using other primary energy sources, such as biomass, biogas, wind, waves, current, water flow, solar thermal and geothermal energy. In Malaysia, solar PV facilities are currently a popular method of generating renewable and environmentally friendly power. However, there is a risk that technological developments in other primary energy sources may result in them

8. RISK FACTORS (Cont'd)

becoming more cost efficient compared to the solar PV method. This may result in these methods displacing solar PV facilities as the preferred method of generating renewable and environmentally friendly power, and consequently have a material adverse effect on our financial performance and prospects.

8.2.5 We are subject to risks related to political, social and economic events in Malaysia

The occurrence of adverse political, social and economic events in Malaysia could have a negative effect on our business operations and financial performance. Examples of such events could include, but are not limited to, changes in political leadership, declaration of war, occurrence of civil war or disorder, outbreak of communicable diseases such as Covid-19, trade war between Malaysia and one or more of its trading partners, and significant economic slowdown in Malaysia and its trading partners.

Furthermore, such events occurring in other countries could have a material adverse effect on Malaysia, either directly or indirectly. The occurrence of these events in Malaysia and other countries could adversely affect business sentiments and consumer confidence, leading to reduced business and consumer spending and investment. This, in turn, may cause our customers and prospective customers to delay, reduce, or abandon their plans to engage us. As such, there can be no assurance that political, social and economic events in Malaysia and other countries, which are beyond our control, would not materially affect our business operations and financial performance.

8.3 RISK RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, our competitive strengths, our business strategies and prospects as well as our financial and operating history. There can be no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions.

8.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (i) The selected investors fail to subscribe for the IPO Shares;
- (ii) Our Underwriter in exercising its rights pursuant to the Underwriting Agreement discharges itself from its obligations therein; and
- (iii) We are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each

8. RISK FACTORS (Cont'd)

holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

In this respect, we will exercise our best endeavours to comply with the various regulatory requirements, including, amongst others the public shareholding spread requirement in paragraph (iii) above for our successful Listing. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

Upon the occurrence of any of these events, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares within 14 days, failing which the provisions of sub-sections 243(2) and 243(6) of the CMSA will apply accordingly and we will be liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event our Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders, a return of monies to all holders of our Shares can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

8.3.3 The trading price of our Shares following our Listing may be volatile

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

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility witnessed on Bursa Securities, thus adding risks to the market price of our listed shares.

8.4 OTHER RISK

8.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold 53.9% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of our shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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9. RELATED PARTY TRANSACTIONS

9.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, we have not entered into any related party transactions with our Directors, substantial shareholders, key senior management personnel and/or persons connected with them for the past 4 FYEs 2017 to 2020 and up to the LPD.

Transacting parties	Interested persons	Nature of transaction	Value of transactions (Expense)/Income					
			FYE 2017		FYE 2018		FYE 2019	
			RM'000	%	RM'000	%	RM'000	%
Startige and Pekat Group	(i) Chin Soo Mau, our Promoter, substantial shareholder and Managing Director, is also the substantial shareholder and Director of Startige	Rental of the Cubic Space Office paid by Pekat Group to Startige ^{(1) (6)}	(1,200)	6.3 ⁽²⁾	(1,200)	6.2 ⁽²⁾	(1,236)	5.0 ⁽²⁾
	(ii) Tai Yee Chee, our Promoter, substantial shareholder and Executive Director, is also the substantial shareholder and Director of Startige	Reimbursement of term loan instalment paid by Pekat Teknologi ⁽⁷⁾	411	N/A	814	N/A	100	N/A
	(iii) Wee Chek Aik, our Promoter, substantial shareholder and Executive Director, is also the substantial shareholder and Director of Startige	Repayment of advances by Startige to Pekat Teknologi ⁽⁷⁾	829	N/A	186	N/A	-	N/A
Startige and Pekat Solar		Rental of 1 unit of factory paid by Pekat Solar to Startige ⁽⁸⁾	-	-	(13)	0.1 ⁽²⁾	(38)	0.2 ⁽²⁾

9. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Interested persons	Nature of transaction	Value of transactions (Expense)/Income					
			FYE 2017		FYE 2018		FYE 2019	
			RM'000	%	RM'000	%	RM'000	%
Startige and Pekat Engineering		Rental of 1 unit of factory paid by Pekat Engineering to Startige ⁽⁸⁾	-	-	(13)	0.1 ⁽²⁾	(38)	0.2 ⁽²⁾
Chin Soo Mau and Pekat Teknologi	Chin Soo Mau	Disposal of 2 motor vehicles by Pekat Teknologi to Chin Soo Mau	600	6.3 ⁽⁴⁾	-	-	-	-
		Income received by Pekat Teknologi from Chin Soo Mau ^{(1) (9)}	97	5.6 ⁽⁵⁾	121	21.3 ⁽⁵⁾	104	6.0 ⁽⁵⁾
		Acquisition of shares in Pekat LEDsystems by Pekat Teknologi from Chin Soo Mau	-	-	-	-	(49)	N/A
Tai Yee Chee and Pekat Teknologi	Tai Yee Chee	Acquisition of shares in E&LP Engineering by Pekat Teknologi from Tai Yee Chee	(45)	N/A	-	-	-	-
		Disposal of 2 motor vehicles by Pekat Teknologi to Tai Yee Chee	475	5.0 ⁽⁴⁾	-	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Interested persons	Nature of transaction	Value of transactions (Expense)/Income					
			FYE 2017 RM'000	%	FYE 2018 RM'000	%	FYE 2019 RM'000	%
Wee Chek Aik and Pekat Teknologi	Wee Chek Aik	Acquisition of shares in E&LP Engineering by Pekat Teknologi from Wee Chek Aik	(45)	N/A	-	-	-	-
		Disposal of a motor vehicle by Pekat Teknologi to Wee Chek Aik	440	4.6 ⁽⁴⁾	-	-	-	-
Raw Ai Ling, Wong Bee Fong, Chiam Chean Wen and Pekat Teknologi	(i) Chin Soo Mau. Raw Ai Ling is his spouse. (ii) Tai Yee Chee. Wong Bee Fong is his spouse. (iii) Wee Chek Aik. Chiam Chean Wen is his spouse.	Acquisition of shares in Solar Data Systems Sdn Bhd by Pekat Teknologi from Raw Ai Ling, Wong Bee Fong and Chiam Chean Wen ⁽¹⁰⁾	(1)	N/A	-	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

Transacting parties	Interested persons	Nature of transaction	Value of transactions (Expense)/Income			
			FYE 2020		Up to the LPD	
			RM'000	%	RM'000	%
Startige and Pekat Group	(i) Chin Soo Mau, our Promoter, substantial shareholder and Managing Director, is also the substantial shareholder and Director of Startige	Rental of the Cubic Space Office paid by Pekat Group to Startige ^{(1) (6)}	(1,047)	5.0 ⁽²⁾	(405)	5.0 ⁽²⁾
	(ii) Tai Yee Chee, our Promoter, substantial shareholder and Executive Director, is also the substantial shareholder and Director of Startige					
	(iii) Wee Chek Aik, our Promoter, substantial shareholder and Executive Director, is also the substantial shareholder and Director of Startige					
Chin Soo Mau and Pekat Teknologi	Chin Soo Mau	Income received by Pekat Teknologi from Chin Soo Mau ^{(1) (9)}	102	6.1 ⁽⁵⁾	35	14.8 ⁽⁵⁾
Rubberex Alliance Sdn Bhd and Pekat Solar ("Rubberex Alliance")	Rubberex Alliance is a wholly-owned subsidiary of Rubberex Corporation (M) Berhad, a company listed on Main Market of Bursa Securities. Dato' Ong Choo Meng, our substantial shareholder, is a Non-Independent Non-Executive Director and the controlling shareholder of Rubberex Corporation (M) Berhad.	Design, supply and installation of solar PV power plant by Pekat Solar for Rubberex Alliance ⁽¹¹⁾	13	0.01 ⁽¹²⁾	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

N/A Not applicable.

(1) These related party transactions are expected to recur after the Listing.

(2) Calculated based on our Group's administrative expenses for each of the respective financial years and as at the LPD.

(3) Calculated based on our Group's finance costs for each of the respective financial years and as at the LPD.

(4) Calculated based on our Group's PAT for each of the respective financial years and as at the LPD.

(5) Calculated based on our Group's other income for each of the respective financial years and as at the LPD.

(6) The annual rental for the Cubic Space Office of RM1.2 million per annum from FYE 2017 to FYE 2019 and up to 31 March 2020 is above the market rate and as such was not on arm's length basis. The annual rental was revised to RM972,000 per annum effective 1 April 2020.

(7) Startige is deemed a related party as it is owned by our Promoters. Startige is the registered owner of the Cubic Space Office.

The term loans for Units 3A and 5 of the Cubic Space Office were drawn by our Group and the loan instalments were also paid by our Group, Startige had reimbursed our Group for these loan instalments. In February 2020, the term loans for Units 3A and 5 of the Cubic Space Office were fully refinanced via a term loan drawn by Startige.

In addition, our Group had extended advances and received repayment of advances from Startige in the past FYEs 2017 to 2019. Further details on the advances are set out in Section 9.1.1(ii)(b).

(8) We rented 2 factory units from Startige located at I-PARC, Shah Alam, Selangor from December 2018 to March 2019 to store our inventory.

(9) During 2012, Pekat Teknologi had financed the installation of a solar PV system with an installed capacity of 101.7 kWp on the roof of Units 5 and 6 of the Cubic Space Office. However, the application to SEDA under the FIT programme was made by Chin Soo Mau. As such, the revenue from the sale of electricity to TNB was received by Chin Soo Mau.

On 18 June 2012, Pekat Teknologi and Chin Soo Mau entered into a collaboration agreement whereby it was agreed that all revenue from the sale of electricity to TNB shall accrue to Pekat Teknologi, while all incidental cost and expenses incurred by Chin Soo Mau with respect to

9. RELATED PARTY TRANSACTIONS (Cont'd)

the application, installation, maintenance and taxes, if any, shall be reimbursed by Pekat Teknologi accordingly. As such, income was received by Pekat Teknologi from Chin Soo Mau from the sale of electricity to TNB.

The total cost of installing the solar PV system of RM1.4 million was borne by Pekat Teknologi. As at the LPD, the solar PV system has been fully depreciated. On 3 September 2020, Pekat Teknologi and Chin Soo Mau entered into an agreement whereby it was agreed that Chin Soo Mau agrees to acquire the solar PV system from Pekat Teknologi upon Pekat Teknologi relocating from Cubic Space Office to its new head office and operational facility at a purchase consideration equivalent to the market value assessed by an independent registered valuer acceptable to Pekat Teknologi.

(10) During FYE 2017, Pekat Teknologi acquired 100% equity interest in Solar Data Systems Sdn Bhd from the spouses of Chin Soo Mau, Tai Yee Chee and Wee Chek Aik, our Promoters for a total purchase consideration of RM1,000. The intended principal activity of Solar Data Systems Sdn Bhd was trading of solar monitoring systems. This company is inactive and we disposed 100% equity interest in Solar Data Systems Sdn Bhd to a non-related party at a disposal consideration of RM1,000 in 2020.

(11) On 28 August 2020, we received a Letter of Award from Rubberex Alliance for the design, supply and installation of a solar PV power plant for a total contract value of RM5.0 million.

(12) Calculated based on our Group's revenue for each of the respective financial years and as at the LPD.

As at the LPD, there are no related party transactions entered into but not yet effected.

Save as set out in note (6) above, our Directors are of the view that the above related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders.

Our Group will not provide any loans and advances to or for the benefit of related parties moving forward.

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9. RELATED PARTY TRANSACTIONS (cont'd)

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(i) Recurrent related party transactions

- (a) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (b) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(ii) Other related party transactions

- (a) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (b) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (c) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the

9. RELATED PARTY TRANSACTIONS (cont'd)

Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

9.1.1 Other transactions

(i) Transactions which are unusual in their nature or conditions

Save as disclosed below, there were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the financial years under review and up to the LPD.

On 1 January 2019, Pekat Solar (as lender) had entered into a loan agreement with Multi Link Sdn Bhd (as borrower) and Lee Seng (as guarantor) whereby Pekat Solar had extended a loan of RM2.0 million to Multi Link Sdn Bhd. The loan carries an interest rate of 7.0% and is for a period of 6 months. Multi Link Sdn Bhd had requested financing from our Group for its business expansion and working capital purposes. Lee Seng, the shareholder and director of Multi Link Sdn Bhd is a personal friend of our Promoters.

The loan was fully repaid with interests on 15 July 2019. We do not intend to extend such loans in the future.

(ii) Loans and guarantees

Save as disclosed below, there were no loans and guarantees made to/by us to or for the benefit of any related party for the financial years under review and up to the LPD.

(a) Personal guarantees and third party pledge

Our Promoters, Chin Soo Mau, Tai Yee Chee and Wee Chek Aik had extended guarantees for banking facilities extended to our Group as at the LPD. In conjunction with the Listing, the respective banks had agreed to discharge the said personal guarantees upon the completion of the Listing.

Startige had extended a third party pledge for banking facilities extended to our Group during the FYEs 2017, 2018 and 2019. The collateral used for the third party pledge includes Units 3A, 5 and 6 of the Cubic Space Office. The third party pledge was withdrawn during 2020.

As at the LPD, there is no third party pledge for banking facilities extended to our Group.

9. RELATED PARTY TRANSACTIONS (cont'd)**(b) Loans and advances to related party**

Units 3A, 5 and 6 of the Cubic Space Office are owned by Startige. However, Units 3A and 5 was financed by term loans drawn by our Group. This is recorded as an amount owing by Startige.

The initial loans drawn by our Group for the purchase of Units 3A and 5 of Cubic Space were RM5.3 million and RM4.3 million, respectively.

In addition, our Group had extended advances to Startige in the past FYEs 2017 to 2019. The advances carried an interest rate of 4.0%. Startige's principal activity is in renting of properties and property investment holding. The advances were used to finance Startige's purchase of investment properties and for its working capital.

The amount due from Startige for the past 4 FYEs is as follows:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
• Loans					
- Short-term	760	760	3,784	-	-
- Long-term	8,171	7,611	4,013	-	-
• Advances	1,418	1,327	2,430	-	-
	10,349	9,698	10,227	-	-

In February 2020, the term loans for Units 3A and 5 of the Cubic Space Office were fully refinanced via a term loan drawn by Startige. As at the LPD, all advances were repaid.

(iii) Amount due to/from related party/Directors**(a) Amount due from related party**

Save for the amount due from Startige as set out in Section 9.1.1(ii)(b) above, there are no other amount due from any related party.

(b) Amount due to related parties

The following were recorded as amount due to related parties:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due to related parties					
• Promoters' spouses ⁽¹⁾	1	-	-	-	-

Note:

⁽¹⁾ Amount due to Promoters' spouses resulting from the acquisition of a subsidiary as set out in Section 9.1 Note (10). The amount due to Promoters' spouses was paid during FYE 2018.

As at the LPD, there is no outstanding amount due to related parties.

9. RELATED PARTY TRANSACTIONS (cont'd)**(c) Amount due to/from Directors**

	FYE 2017	FYE 2018	FYE 2019	FYE 2020	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due to Directors					
• Chin Soo Mau	-	-	⁽⁴⁾ 256	-	-
• Tai Yee Chee	⁽¹⁾ 120	⁽¹⁾ 120	⁽⁴⁾ 122	-	-
• Wee Chek Aik	⁽¹⁾ 45	⁽¹⁾ 45	⁽⁴⁾ 122	-	-
Amount due from Directors					
• Chin Soo Mau	⁽²⁾ (9)	^{(2) (3)} (18)	-	-	-
• Tai Yee Chee	⁽²⁾ (17)	⁽²⁾ (17)	-	-	-
• Wee Chek Aik	⁽²⁾ (11)	⁽²⁾ (11)	-	-	-
	128	119	500	-	-

Notes:

- ⁽¹⁾ During 2016, we acquired 15.0% equity interest in E&LP Engineering from Tai Yee Chee for a purchase consideration of RM75,000. During 2017, we acquired 18.0% equity interest in E&LP Engineering from Tai Yee Chee (9.0%) and Wee Chek Aik (9.0%) for a purchase consideration of RM45,000, respectively. As at 31 December 2018, the amount due to Tai Yee Chee and Wee Chek Aik amounts to RM120,000 and RM45,000, respectively. The amount due to Directors was paid in FYE 2019.
- ⁽²⁾ During 2017, we disposed motor vehicles amounting to RM1.5 million to Chin Soo Mau (RM0.6 million), Tai Yee Chee (RM0.5 million) and Wee Chek Aik (RM0.4 million). As at 31 December 2017, the amount due from Chin Soo Mau, Tai Yee Chee and Wee Chek Aik amounts to RM8,984, RM17,260 and RM11,158, respectively. The amount due from Directors was received in FYE 2019. The motor vehicles were disposed to reduce the lease liabilities of our Group and were sold at market value.
- ⁽³⁾ Including amount drawn by Chin Soo Mau of RM8,984 for personal use. The amount due from Chin Soo Mau was paid to our Group in FYE 2019.
- ⁽⁴⁾ Being dividends declared by our Group in respect of FYE 2019 but not paid as at 31 December 2019. The amount due to Directors was paid in FYE 2020.

(iv) Financial assistance provided for the benefit of a related party

There were no financial assistance provided by us for the benefit of any related party for the financial years under review and up to the LPD.

10. CONFLICT OF INTERESTS

10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS

Save as disclosed below, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade or are the customers and/or suppliers of our Group:

(i) Rubberex Corporation (M) Berhad

On 28 August 2020, we received a Letter of Award from Rubberex Alliance Sdn Bhd, a wholly-owned subsidiary of Rubberex Corporation (M) Berhad for the design, supply and installation of a solar PV power plant for a total contract value of RM5.0 million. Rubberex Alliance Sdn Bhd is involved in the manufacturing and sale of disposable gloves.

Dato' Ong Choo Meng, our substantial shareholder, is a Non-Independent Non-Executive Director and the controlling shareholder of Rubberex Corporation (M) Berhad.

In order to mitigate any potential conflict of interest, our Board has reviewed the terms of this transaction and will review all future transactions with Rubberex Corporation (M) Berhad to ensure that all sales will be undertaken on arm's length basis.

Our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business. If our Directors are involved in similar business as our Group or business of our customers and our suppliers, our Nomination Committee shall inform our Audit Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nomination Committee will:

- (a) Immediately inform our Board of the conflict of interest situation after deliberating with the Audit Committee;
- (b) Make recommendations to our Board to direct the conflicted Director to:
 - (aa) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (bb) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director shall abstain from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

10. CONFLICT OF INTERESTS (Cont'd)

10.2 DECLARATIONS OF CONFLICT OF INTERESTS BY OUR ADVISERS

- (i) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing;
- (ii) Messrs Wong Beh & Toh has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing;
- (iii) Messrs Grant Thornton Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (iv) Vital Factor has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

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11. FINANCIAL INFORMATION**11.1 HISTORICAL AND PRO FORMA FINANCIAL INFORMATION**

Our audited combined financial statements throughout the FYEs 2017 to 2020 have been prepared in accordance with MFRSs and IFRSs. Our audited combined financial statements for the FYEs 2017 to 2020 under review were not subject to any audit qualifications.

11.1.1 Historical financial information

The following summary should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 11.2 and the Accountants' Report set out in Section 12.

(i) Historical combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our historical audited combined statements of profit or loss and other comprehensive income for the FYEs 2017 to 2020:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	72,830	120,129	119,521	125,562
Cost of sales	(42,145)	(84,436)	(73,127)	(87,440)
GP	30,685	35,693	46,394	38,122
Other income	1,723	567	1,735	1,685
Administrative expenses	(18,913)	(19,394)	(24,537)	(20,738)
Other expenses	(1,031)	(1,212)	(4,345)	(917)
Finance income	717	823	893	380
Finance costs	(1,031)	(1,154)	(1,034)	(887)
Share of (loss)/profit in associates	(57)	21	568	738
PBT	12,093	15,344	19,674	18,383
Tax expense	(2,629)	(4,336)	(4,819)	(4,809)
PAT	9,464	11,008	14,855	13,574
PAT attributable to:				
- Owners of the Company	9,361	11,096	14,794	13,576
- Non-controlling interests	103	(88)	61	(2)
	9,464	11,008	14,855	13,574
EBIT ⁽¹⁾	12,407	15,675	19,815	18,890
EBITDA ⁽¹⁾	13,995	16,561	20,860	19,793
GP margin (%)	42.1	29.7	38.8	30.4
PBT margin (%)	16.6	12.8	16.5	14.6
PAT margin (%)	13.0	9.2	12.4	10.8
Effective tax rate (%)	21.7	28.3	24.5	26.2
EPS (sen) ⁽²⁾	1.8	2.2	2.9	2.7
Diluted EPS (sen) ⁽³⁾	1.5	1.7	2.3	2.1

11. FINANCIAL INFORMATION (Cont'd)

Notes:

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

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
PAT	9,464	11,008	14,855	13,574
Less:				
Finance income	(717)	(823)	(893)	(380)
Add:				
Finance costs	1,031	1,154	1,034	887
Tax expense	2,629	4,336	4,819	4,809
EBIT	12,407	15,675	19,815	18,890
Add:				
Depreciation and amortisation	1,588	886	1,045	903
EBITDA	13,995	16,561	20,860	19,793

- (2) Calculated based on our PAT attributable to owners of the Company divided by the share capital of 506,300,200 Shares before our IPO.

- (3) Calculated based on our PAT attributable to owners of the Company divided by the enlarged share capital of 644,968,200 Shares after our IPO.

(ii) Historical combined statements of financial position

The following table sets out our historical combined statements of financial position as at 31 December 2017, 2018, 2019 and 2020:

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,958	2,041	2,414	20,073
Intangible assets	-	-	787	641
Investment in associates	-	389	1,412	2,149
Other investments	-	47	-	-
Trade receivables	-	733	406	246
Amount due from related parties	8,171	7,611	4,013	-
Total non-current assets	10,129	10,821	9,032	23,109
Current assets				
Other investments	-	-	9,507	1,159
Inventories	8,909	10,971	11,406	11,019
Trade receivables	18,421	22,821	23,462	28,921
Other receivables	3,207	2,294	3,128	3,183
Contract assets ⁽¹⁾	9,549	19,343	14,761	23,971
Amount due from associates	400	1,804	4,912	9,240
Amount due from related parties	2,178	2,087	6,214	-
Tax recoverable	663	466	11	-
Fixed deposits with licenced banks	6,882	10,497	7,661	9,135
Cash and bank balances	13,831	7,947	8,235	15,076
Total current assets	64,040	78,230	89,297	101,704
TOTAL ASSETS	74,169	89,051	98,329	124,813

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
EQUITY				
Share capital	550	550	550	550
Retained earnings	26,683	36,762	50,179	63,256
NA	27,233	37,312	50,729	63,806
Non-controlling interests	(45)	(43)	72	70
TOTAL EQUITY	27,188	37,269	50,801	63,876
LIABILITIES				
Non-current liabilities				
Lease liabilities	980	871	597	392
Borrowings	8,809	8,061	4,055	13,331
Deferred tax liabilities	-	93	57	237
Total non-current liabilities	9,789	9,025	4,709	13,960
Current liabilities				
Trade payables	4,725	5,521	11,768	20,184
Other payables	5,351	2,646	4,623	2,759
Contract liabilities ⁽²⁾	18,701	19,008	7,506	8,716
Amount due to an associate	-	-	208	-
Amount due to related parties	1	-	-	-
Amount due to Directors	128	119	500	-
Lease liabilities	442	560	606	261
Borrowings	7,005	13,536	15,667	13,718
Tax payable	839	1,367	1,941	1,339
Total current liabilities	37,192	42,757	42,819	46,977
TOTAL LIABILITIES	46,981	51,782	47,528	60,937
TOTAL EQUITY AND LIABILITIES	74,169	89,051	98,329	124,813

Notes:

- (1) Contract assets arise when work is done for a project but we are not able to issue billing because the level of work done has not reached a billable milestone as stated in the project contract.
- (2) Contract liabilities arise when deposits are received for a project but the work has yet to be carried out and as such we are not able to issue billing and record it as revenue.

11. FINANCIAL INFORMATION (Cont'd)**(iii) Historical audited combined statements of cash flows**

The following table sets out our audited combined statements of cash flows for the FYEs 2017 to 2020:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Operating Activities				
PBT	12,093	15,344	19,674	18,383
Adjustments for:				
Amortisation of intangible assets	-	-	97	180
Bargain purchase on acquisition of a subsidiary	(142)	-	-	-
Depreciation of property, plant and equipment	1,588	886	948	723
Dividend income	-	-	(132)	(120)
Fair value (gain)/loss on other investments	-	(8)	6	(6)
Gain on disposal of an associate	(250)	-	-	*
Gain on disposal of property, plant and equipment	(394)	(77)	-	(2)
Gain on termination of lease	-	-	-	(31)
Impairment loss on contract assets	-	-	284	638
Impairment loss on inventories	218	-	415	-
Impairment loss on trade receivables	324	988	3,318	176
Interest expenses	1,031	1,154	1,034	887
Interest income	(717)	(823)	(893)	(380)
(Gain)/Loss on disposal of a subsidiary	(318)	-	82	(18)
Loss on liquidation of subsidiaries	-	21	-	-
Provision for foreseeable losses	710	2,191	-	-
Reversal of provision for foreseeable losses	-	-	(1,119)	(1,432)
Reversal of impairment loss on contract assets	-	(29)	-	-
Reversal of impairment loss on inventories	-	-	(74)	(179)
Reversal of impairment loss on trade receivables	-	(141)	(1,113)	(349)
Share of loss/(profit) in associates	57	(21)	(568)	(738)
Unrealised (gain)/loss on foreign exchange	(38)	(8)	(137)	66
Waiver of amount due to related parties	(224)	-	-	-
Written down of inventories	47	7	-	-
Written off of contract assets	-	-	12	-
Written off of inventories	-	-	82	-
Written off of other receivables	427	106	-	-
Written off of property, plant and equipment	-	-	4	4
Written off of amount due from an associate	-	-	-	12
Written off of trade receivables	15	90	-	*
Operating profit before working capital changes	14,427	19,680	21,920	17,814
Changes in working capital:				
Inventories	(2,177)	(2,069)	(858)	567
Receivables	(3,882)	(5,410)	(3,353)	(5,181)
Payables	(3,539)	(1,901)	8,362	6,493
Contract assets or liabilities	5,369	(11,647)	(6,099)	(7,204)
Associates	(400)	(1,311)	(2,807)	(3,443)
Related parties	157	14	(10)	-
Cash generated from/(used in) operations	9,955	(2,644)	17,155	9,046
Interest received	306	302	301	209
Tax refunded	-	131	822	-
Tax paid	(3,046)	(3,649)	(4,648)	(5,210)
Net cash from/(used in) operating activities	7,215	(5,860)	13,630	4,045
Investing Activities				

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Acquisition from non-controlling interest in a subsidiary	(90)	-	(49)	-
Acquisition of intangible assets	-	-	(884)	(34)
Acquisition of investment in associates	-	(368)	(454)	-
Acquisition of other investments	-	(40)	(9,375)	(534)
Acquisition of property, plant and equipment	(505)	(495)	(931)	(4,767)
Dividend received	-	-	41	98
Interest received	411	521	592	171
Net inflow on acquisition of a subsidiary	123	-	198	-
Net inflow on incorporation of a subsidiary	-	90	-	-
Net inflow/(outflow) on disposal of a subsidiary	200	-	(280)	1
Net outflow on liquidation of subsidiaries	-	(6)	-	-
Proceeds from disposal of other investments	-	-	-	8,910
Proceeds from disposal of an associate	250	-	-	*
Proceeds from disposal of property, plant and equipment	450	104	-	2
Net cash from/(used in) investing activities	839	(194)	(11,142)	3,847
Financing Activities				
Advances to an associate	(5)	(93)	(93)	(1,106)
(Advances to)/Repayments from related parties	(5,073)	635	(519)	10,227
Advances from/(Repayment to) Directors	53	(9)	(119)	-
Dividend paid	-	(1,018)	(774)	(1,000)
Drawdown of fixed deposit pledged with a licenced bank	(187)	(2,584)	(177)	(3,395)
Interest paid	(1,031)	(1,023)	(1,034)	(887)
Drawdown of bankers' acceptances	17,730	27,527	25,038	18,620
Repayments of bankers' acceptances	(15,784)	(20,994)	(26,403)	(16,783)
Drawdown of term loans	5,235	-	-	484
Repayments of term loans	(558)	(749)	(782)	(8,411)
Repayments of lease liabilities	(285)	(492)	(622)	(449)
Proceeds from issuance of shares	-	-	*	-
Net cash from/(used in) financing activities	95	1,200	(5,485)	(2,700)
Net increase/(decrease) in cash and cash equivalents				
Net changes	8,149	(4,854)	(2,997)	5,192
Brought forward	9,586	17,735	12,881	9,884
Carried forward	17,735	12,881	9,884	15,076
Cash and cash equivalents consists of:				
Cash and bank balances	13,831	7,947	8,235	15,076
Fixed deposits with licenced banks	6,882	10,497	7,661	9,135
Bank overdrafts	-	-	(272)	-
	20,713	18,444	15,624	24,211
Less: Fixed deposits with licenced banks pledged as security for banking facilities	(2,978)	(5,563)	(5,740)	(9,135)
Cash and cash equivalents	17,735	12,881	9,884	15,076

Note:

* Negligible

11. FINANCIAL INFORMATION (Cont'd)**11.1.2 Pro forma combined statements of financial position**

The following table sets out a summary of the pro forma combined statements of financial position of our Group to show the effects of the Acquisition of Pekat Teknologi, Public Issue and utilisation of IPO proceeds.

The pro forma combined statements of financial position are presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' report together with the notes and assumptions accompanying the Pro forma Combined Financial Information as set out in Section 13.

	Pekat	I	II	III
	As at 31 December 2020	After Acquisition of Pekat Teknologi ⁽¹⁾	After I and after Public Issue	After II and after utilisation of IPO proceeds
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	20,073	20,073	38,073
Intangible assets	-	641	641	641
Investment in associates	-	2,149	2,149	2,149
Trade receivables	-	246	246	246
Total non-current assets	-	23,109	23,109	41,109
Current assets				
Other investments	-	1,159	1,159	1,159
Inventories	-	11,019	11,019	11,019
Trade receivables	-	28,921	28,921	28,921
Other receivables	6	3,183	3,183	2,040
Contract assets	-	23,971	23,971	23,971
Amount due from associates	-	9,240	9,240	9,240
Fixed deposits with licenced banks	-	9,135	9,135	9,135
Cash and bank balances	*	15,076	59,450	28,693
Total current assets	6	101,704	146,078	114,178
TOTAL ASSETS	6	124,813	169,187	155,287
EQUITY AND LIABILITIES				
EQUITY				
Share capital	*	50,630	95,004	93,104
Merger deficit	-	(50,080)	(50,080)	(50,080)
Retained earnings	(38)	63,256	63,256	61,256
	(38)	63,806	108,180	104,280
Non-controlling interests	-	70	70	70
TOTAL EQUITY	(38)	63,876	108,250	104,350
LIABILITIES				
Non-current liabilities				
Lease liabilities	-	392	392	392
Borrowings	-	13,331	13,331	3,331
Deferred tax liabilities	-	237	237	237
Total non-current liabilities	-	13,960	13,960	3,960
Current liabilities				
Trade payables	-	20,184	20,184	20,184
Other payables	44	2,759	2,759	2,759

11. FINANCIAL INFORMATION (Cont'd)

	Pekat	I	II	III
	As at 31 December 2020	After Acquisition of Pekat Teknologi ⁽¹⁾	After I and after Public Issue	After II and after utilisation of IPO proceeds
	RM'000	RM'000	RM'000	RM'000
Contract liabilities	-	8,716	8,716	8,716
Amount due to an associate	-	-	-	-
Amount due to Directors	-	-	-	-
Lease liabilities	-	261	261	261
Borrowings	-	13,718	13,718	13,718
Tax payable	-	1,339	1,339	1,339
Total current liabilities	44	46,977	46,977	46,977
TOTAL LIABILITIES	44	60,937	60,937	50,937
TOTAL EQUITY AND LIABILITIES	6	124,813	169,187	155,287
Number of Shares in issue ('000)	^	506,300	644,968	644,968
Net (liabilities)/asset per share (RM)	(188.84)	0.13	0.17	0.16
Borrowings (All interest bearing debts)	-	27,702	27,702	17,702
Gearing (times) ⁽²⁾	-	0.43	0.26	0.17
Current ratio (times) ⁽³⁾	0.14	2.16	3.11	2.43

Notes:

- * Representing RM20.00 only.
 ^ Representing 200 Shares only.

⁽¹⁾ The total purchase consideration of RM50,630,000 for the Acquisition of Pekat Teknologi was arrived at after taking into consideration the following:

- (i) The audited NA of Pekat Teknologi as at 31 December 2019 of RM50,742,212; and
- (ii) The disposals of 4 subsidiaries/associated companies, where our Group recorded total loss on disposal of RM112,001. The disposals were in made as these companies were inactive.
 - (a) On 29 May 2020, Pekat Teknologi had disposed its 100% equity interest in JP Solar Energy Sdn Bhd (formerly known as Pekat Solartech Sdn Bhd) comprising 100,000 ordinary shares to Chew Huey Foong, at a disposal consideration of RM1;
 - (b) On 29 May 2020, Pekat Teknologi had disposed its 100% equity interest in Solar Data Systems Sdn Bhd comprising 1,000 ordinary shares to Chew Huey Foong, at a disposal consideration of RM1,000;
 - (c) On 23 June 2020, Pekat Teknologi had disposed its 30% equity interest in Petra Jaya Energy Sdn Bhd comprising 30 ordinary shares to Chew Huey Foong, at a disposal consideration of RM30; and

11. FINANCIAL INFORMATION (Cont'd)

- (d) On 2 July 2020, Pekat Teknologi had disposed 20% equity interest in Bayangan Sutera Sdn Bhd comprising 2 ordinary shares to Mega First Power Industries Sdn Bhd, a wholly-owned subsidiary of Mega First Corporation Berhad, at a disposal consideration of RM2.
- (2) Calculated based on the total borrowings (i.e. lease liabilities and bank borrowings) of our Group divided by the total equity of our Group.
- (3) Calculated based on total current assets divided by total current liabilities of our Group.

11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion of our business, financial condition and results of operations for the FYEs 2017 to 2020 refers to the historical audited combined financial information of Pekat Teknologi. Our audited financial statements have been prepared in accordance with MFRSs and IFRSs for the FYEs 2017 to 2020.

The following discussion and analysis of our Group's financial performance and results of operations should be read in conjunction with the Accountant's Report as sets out in Section 12 and the Reporting Accountant's letter on the pro forma combined statements of financial position as set out in Section 13.

11.2.1 Overview of our operations

We operate in 3 distinct business areas, namely:

- | | | |
|-------|-------------------------|---|
| (i) | Solar Division | <p>Design, supply and installation of solar PV systems and power plants</p> <p>We carry out the design, supply and installation of on-grid and off-grid solar PV systems and power plants, where we are responsible for the entire scope of work (including testing and commissioning, and in some cases operations and maintenance for projects where we are contracted to do so) and delivering them to our customers. We engage subcontractors to carry out, under our management and supervision, site preparation and earthworks, all installation works, and interconnection to power transmission substations. Solar PV systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.</p> |
| (ii) | ELP Division | <p>Supply and installation of ELP systems</p> <p>Our supply and installation of ELP systems for buildings, facilities and structures are to protect people, property and equipment from unintended electric current. We are engaged as a specialist subcontractor for ELP systems by main contractors or M&E contractors.</p> |
| (iii) | Trading Division | <p>Distribution of electrical products and accessories</p> <p>The distribution of electrical products and accessories involve the sales and marketing of our own brands and third party brands of electrical products and accessories, namely ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems.</p> |

11. FINANCIAL INFORMATION (Cont'd)

Our revenue is generated from Malaysia and is denominated in RM for the past 4 FYEs.

The significant factors affecting our business include the following:

(i) Continuity of our order book

For past FYEs, our Solar Division and ELP Division which are project-based in nature had collectively accounted for 66.0%, 73.9%, 74.7% and 78.4% of our total revenue respectively. Details on our order book are set out in Section 11.11.

There is a risk that we may not be able to continually secure sufficient projects to replace the ones that we progressively complete to sustain and grow our revenue and profits.

(ii) Unanticipated increase in project cost

Our profitability depends on our ability to accurately estimate project cost and project scheduling at the time of bidding / negotiation for projects. Any adverse developments which result in increase in project cost will lead to cost overruns affecting our cash flows or losses if actual costs for the projects exceed their estimates.

(iii) Potential defects liability and product liability as well as performance guarantee claims**(a) Potential defects liability claim**

The defect liability period is imposed on us for a period of 12 months or 24 months (for some customers it is for a period of 60 months or 120 months) for solar PV projects, 24 months for ELP projects. While the solar PV facility components and ELP systems components are covered against manufacturing defects by their respective product warranties, we are responsible for the cost of replacing the component, which typically includes the costs of labour, transportation and consumables. If we are unable to claim from the manufacturers due to our negligence or the amounts of the claim cannot be recovered in full or at all from the manufacturers, we may be required to bear some or all the costs of the claims.

(b) Product liability claim

While our principals and third party manufacturers are likely to be the most directly exposed to the risk of product liability (as the brand owner or party manufacturing the products), we as a distributor may also be exposed to product liability risks. Product liability generally involves, among others, manufacturing defects, design defects or defective warnings or instructions and product mislabelling. Customers claiming damages from these defects may take legal action against us as a distributor, which may impact on our business, as well as create negative publicity that may damage our reputation.

(c) Performance guarantee claim

We provide performance guarantee for the solar PV modules that we install for our customers wherein the power generated by the solar PV modules will not be less than 80.0% of the installed capacity during the commercial operation period of approximately 25 years. The financial performance of our Group may be adversely affected if the solar PV systems provided by us fail to meet the guaranteed solar power generation capacity, as we are required to compensate our client the costs of the performance shortfall.

11. FINANCIAL INFORMATION (Cont'd)**(iv) Possible delays in completing our projects**

Our Group's revenue is dependent on timely completion of our projects. However, the completion of our projects is dependent on many external factors inherent in the solar PV and ELP industries including, *inter-alia*, delays or failure to obtain relevant permits or approvals from authorities, delays in the delivery of materials, shortages in labour, adverse weather conditions and measures implemented by the government to control the spread of Covid-19 or other epidemics or pandemics in the future. Any adverse developments which lead to delay in completing our projects may have a negative impact on our Group's business, reputation and financial performance.

(v) Fluctuation of foreign exchange rate

Some of the input materials we purchase for our Solar Division, ELP Division and Trading Division, are denominated in foreign currencies. In addition, input materials which are sourced from local suppliers are also subject to foreign currency fluctuation as it may be imported by our local suppliers.

Purchases in:	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	28,100	67.9	43,556	53.7	27,696	41.8	38,731	48.3
USD	11,324	27.3	35,136	43.3	36,751	55.5	37,920	47.3
Others ^	1,972	4.8	2,410	3.0	1,756	2.7	3,542	4.4
Total purchases	41,396	100.0	81,102	100.0	66,203	100.0	80,193	100.0

Note:

^ Comprising RMB, Euro and CHF.

In the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, our purchases of input materials from our overseas suppliers amounted to RM13.3 million or 32.1%, RM37.5 million or 46.3%, RM38.5 million or 58.2% and RM41.5 million or 51.7%. As such, any appreciation or depreciation of the foreign currencies against RM will significantly affect our cost of input materials.

We have entered into forward currency contracts to hedge our exposure against fluctuations in foreign currency for the purchases of input materials. Kindly refer to Section 11.10.1 for further details.

Notwithstanding the above, there is no assurance that any fluctuation in foreign exchange rates would not have an impact on our financial performance.

(vi) Availability and fluctuation in the prices of input materials

We depend on the continuous supply of input materials. Our input materials are price sensitive and we may face the risk of obtaining sufficient quantities of input materials at competitive prices. Price fluctuations in such materials caused by shortages and price volatility of our input materials, which are beyond our control, could result in increased cost of sales, thus affecting our financial performance should we fail to pass the increase in cost to our customers. Detailed list of our input materials are set out in Section 6.10.

11. FINANCIAL INFORMATION (Cont'd)

Nonetheless, we also distribute our brands of electrical products and accessories which are used as input materials where we maintain a stock level for up to 3 months. In addition, our suppliers regularly keep us abreast of the supply condition and price trend of our raw materials so we may be prepared for any price increase.

(vii) Competition from other industry players and new market entrants

Our Group faces competition from other industry players and new market entrants who may also be capable of offering similar solutions and products. Whilst we strive to remain competitive, there can be no assurance that any changes in the competitive environment would not have any material and adverse impact on our business and financial performance. We believe that our Group would be able to stay competitive due to our strengths as outlined in Section 6.8.

(viii) Interruptions in our business operations

Our business operations could be disrupted or delayed due to unforeseeable circumstances. Such risks include, amongst others, fire or flood as well as environment factors (including natural disaster and outbreak of diseases).

Any prolonged interruptions to our business operations due to such factors will affect our ability in adhering to our project timeline which could have an adverse impact on our business operations, relationship with customers, financial performance and industry reputation.

The World Health Organisation declared Covid-19 a pandemic on 11 March 2020. The Government of Malaysia implemented several measures to reduce and control the spread of Covid-19 in the country, commencing from 18 March 2020.

During the MCO when our operations were fully halted, we incurred a total expense of RM3.0 million. These expenses incurred include Directors and staff salaries (RM2.6 million), rental and upkeep of office (RM0.2 million) and other expenses (RM0.2 million). Nevertheless, save for the deferment of RM3.5 million in revenue for our Solar Division and RM2.2 million in revenue for our ELP Division from 2020 to second quarter of 2021, there are no other financial impact for FYE 2020.

Kindly refer to Sections 6.7 and 8.1.1 on the impact of Covid-19 virus pandemic on our Group.

(ix) Demand and supply condition

Our Trading Division is dependent on the demand and supply condition of the distribution of our electrical products and accessories. The demand for our products and accessories is dependent on the growth of our customers such as the construction and EPCC companies and M&E contractors as well as manufacturers that use our products to be incorporated into their products.

(x) Political, social and economic events in Malaysia

The occurrence of adverse political, social and economic events in Malaysia could have a negative effect on our business operations and financial performance. Examples of such events could include, but are not limited to, changes in political leadership, declaration of war, occurrence of civil war or disorder, outbreak of communicable diseases such as Covid-19, trade war between Malaysia and one or more of its trading partners, and significant economic slowdown in Malaysia and its trading partners.

11. FINANCIAL INFORMATION (Cont'd)**11.2.2 Revenue**

For the past 4 FYEs 2017 to 2020, all our revenue is derived locally. The revenue segmentation of our Group for the past 4 FYEs are set out below.

(i) Revenue by principal activities

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Solar Division	14,937	20.5	54,814	45.6	58,774	49.2	72,107	57.4
ELP Division	33,109	45.5	34,025	28.3	30,459	25.5	26,414	21.0
Trading Division	24,784	34.0	31,290	26.1	30,288	25.3	27,041	21.6
	72,830	100.0	120,129	100.0	119,521	100.0	125,562	100.0

(a) Solar Division

Revenue from our Solar Division is derived from the design, supply and installation services for of solar PV systems and power plants (solar PV facilities) for the following customer categories:

- Commercial buildings and facilities, such as shopping complexes, office buildings and hotels;
- Industrial buildings, such as factories;
- Residential for home owners; and
- Others, such as community buildings including schools and places of worship as well as solar farms.

We also derive revenue from the operations and maintenance services for solar PV facilities.

The breakdown of revenue for the past 4 FYEs is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, supply and installation:								
- Commercial	4,730	31.7	16,504	30.1	8,338	14.2	9,606	13.3
- Industrial	2,695	18.0	26,458	48.3	17,623	30.0	48,940	67.9
- Residential	6,891	46.2	8,977	16.4	30,173	51.3	12,044	16.7
- Others ⁽¹⁾	559	3.7	2,777	5.0	2,138	3.6	1,038	1.4
Operations and maintenance	62	0.4	98	0.2	502	0.9	479	0.7
	14,937	100.0	54,814	100.0	58,774	100.0	72,107	100.0

Note:

- ⁽¹⁾ Includes community buildings and solar farms.

For our design, supply and installation of solar PV facilities for certain non-residential property projects, we have to provide our customers with a retention sum equivalent to 5.0% of the contract fixed price as a performance guarantee. Upon the acceptance of handover of the project and the issuance of the testing and commissioning form, CPC, practical acceptance certificate, or project

11. FINANCIAL INFORMATION (Cont'd)

completion letter, half of the retention sum is released to us. Upon the expiration of the defect liability period, commonly ranging between 12 months and 24 months, the remaining half of the retention sum is then released to us, subject to the issuance of a certificate of making good defects.

For the FYE 2017 and FYE 2019, the majority of revenue contributed by our Solar Division was derived from residential projects while revenue contribution for industrial projects is the largest in FYE 2018 and FYE 2020.

Revenue from design, supply and installation of solar PV projects is recognised by reference to the stage of completion where we progressively bill our clients upon achievement of specified milestones for our services; while revenue from operations and maintenance are recognised when services are rendered.

Pricing varies from customer to customer as they are made to customers' specifications and are generally determined based on factors such as installed capacity as well as the solar PV modules and accessories used.

(b) ELP Division

Revenue from the ELP Division is derived from the supply and installation of ELP systems for following types of buildings and facilities:

- Commercial buildings and facilities, such as shopping complexes, office buildings, hotels, media broadcast centre and data centres;
- Mixed development comprising a combination of residential and commercial buildings within the same development;
- Infrastructure including rail transportation stations and guideways, expressways and highways;
- Industrial buildings, such as refineries and petrochemical plants; and
- Others, such as community buildings and non-projects based supply and installation.

The breakdown of revenue for the past 4 FYEs is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Commercial	11,885	35.9	13,962	41.1	10,711	35.1	7,593	28.7
Mixed development	10,037	30.3	10,549	31.0	8,740	28.7	6,409	24.3
Infrastructure	6,478	19.6	6,406	18.8	7,648	25.1	11,846	44.8
Industrial	2,294	6.9	2,831	8.3	2,580	8.5	46	0.2
Others ⁽¹⁾	2,415	7.3	277	0.8	780	2.6	520	2.0
	33,109	100.0	34,025	100.0	30,459	100.0	26,414	100.0

Note:

- ⁽¹⁾ Includes community buildings and non-projects based supply and installation.

11. FINANCIAL INFORMATION (Cont'd)

The breakdown of number of projects taken by our ELP Division for the past 4 FYEs is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	No. of projects	%	No. of projects	%	No. of projects	%	No. of projects	%
Commercial	103	42.9	126	44.2	122	44.4	105	42.9
Mixed development	120	50.0	131	46.0	119	43.3	100	40.8
Infrastructure	13	5.4	22	7.7	25	9.1	35	14.3
Industrial	3	1.3	4	1.4	4	1.4	1	0.4
Others	1	0.4	2	0.7	5	1.8	4	1.6
	240	100.0	285	100.0	275	100.0	245	100.0

For all of our ELP projects, we have to provide our customers with a retention sum equivalent to 5.0% of the contract fixed price as a performance guarantee. Upon the date of issuance of the CPC or final acceptance by the customer, half the retention sum is released to us. Upon the expiration of the defect liability period, the remaining half of the retention sum is then released to us.

For the past 4 FYEs, the largest contributor for ELP Division is from commercial projects while mixed development is the second largest contributor for the revenue under ELP Division.

Revenue from installation of ELP systems is recognised by reference to the stage of completion where we progressively bill our clients upon achievement of specified milestones for our services; while revenue from non-projects based supply and installation are recognised when services are rendered.

The pricing of our services varies from customer to customer as they are made to customers' specifications and are generally determined based on factors such as input materials used, scope of work and size of project.

(c) Trading Division

Revenue from the Trading Division is derived from the distribution of electrical products and accessories, such as ELP products and accessories, solar PV products and accessories, surge protection devices and aviation warning light systems.

Our Trading Division provides synergistic benefits to our Solar Division and ELP Division. This is because the 2 divisions also use some of the electrical products and accessories for their respective projects such as the following:

- for solar PV facilities, we use solar inverters, surge protection devices, solar PV monitoring system, energy storage system and DC circuit breakers; and
- for ELP systems, we use surge protection devices, DC circuit breakers, conductors, connectors, lightning rods and accessories, earth bars and exothermic welding system.

Revenue from Trading Division is recognised at point in time when control of the assets is transferred to the customer, generally on the delivery of the product.

11. FINANCIAL INFORMATION (Cont'd)

The breakdown of revenue for the past 4 FYEs is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
ELP related products	9,664	39.0	21,900	70.0	17,616	58.2	14,601	54.0
Solar PV related products	9,287	37.5	3,479	11.1	9,195	30.3	7,107	26.3
Surge protection devices	5,111	20.6	5,630	18.0	3,328	11.0	4,789	17.7
Aviation warning light systems	722	2.9	281	0.9	149	0.5	544	2.0
	24,784	100.0	31,290	100.0	30,288	100.0	27,041	100.0

(ii) Commentary on revenue**(a) Comparison between FYE 2017 and FYE 2018**

Our revenue increased by RM47.3 million or 65.0% from RM72.8 million in the preceding financial year to RM120.1 million in FYE 2018. We recorded increase in revenue from all 3 divisions during FYE 2018. The main contributor for the increase in our revenue for FYE 2018 was from our Solar Division, which was our largest revenue contributor for FYE 2018, having contributed 45.6% of our revenue for FYE 2018.

Solar Division

Revenue from our Solar Division increased by RM39.9 million or 267.8% from RM14.9 million in FYE 2017 to RM54.8 million in FYE 2018 due to the increase in contribution from all project types mainly due to the following:

- (i) Our marketing efforts include participating in International Greentech & Eco Product Exhibition & Conference Malaysia 2017 during FYE 2017 and 4th International Sustainable Energy Summit 2018 during FYE 2018.
- (ii) The increase in our sales and marketing team for our Solar Division from 2 to 5 personnel during FYE 2018, where we incurred an additional hiring cost of RM0.2 million for FYE 2018.

Our management also believes that the Government initiated solar PV programmes and tax incentive provided for the installation of Solar PV systems have increased the customers' receptiveness towards solar PV facilities, which contributed to the increase in revenue from Solar Division.

The increase in revenue was attributable to the following:

- (i) Increase in revenue from industrial projects by 881.5% to RM26.5 million (FYE 2017: RM2.7 million) which was mainly contributed by the following projects:
 - MetTube Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Shah Alam, Selangor with an installed capacity of 4.1 MWp (RM7.7 million or 29.1%);

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- Metrod (Malaysia) Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Klang, Selangor with an installed capacity of 2.5 MWp (RM4.9 million or 18.5%);
 - Kualiti Alam Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located at Bukit Pelandok, Negeri Sembilan with an installed capacity of 1.0 MWp (RM3.5 million or 13.2%);
 - NLE Electrical Engineering Sdn Bhd for the design, supply and installation of solar PV systems on an industrial property located at Batu Kawan, Penang with an installed capacity of 1.0 MWp (RM3.5 million or 13.2%); and
 - Firstex Knitting Industry Sdn Bhd for the design, supply and installation of solar PV systems on an industrial property located at Kulim, Kedah with an installed capacity of 0.6 MWp (RM2.2 million or 8.3%).
- (ii) Increase in revenue from commercial projects by 251.1% to RM16.5 million (FYE 2017: RM4.7 million) which was mainly contributed by the following projects:
- Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust) for the design, supply and installation of solar PV systems on 6 shopping complexes with a combined installed capacity of 2.7 MWp (RM6.9 million or 41.8%);
 - Cyberview Sdn Bhd for the design, supply and installation of solar PV systems on a commercial building in Cyberjaya with an installed capacity of 1.0 MWp (RM3.9 million or 23.6%); and
 - Projek Lebuhraya Usahasama Bhd for the design, supply and installation of solar PV systems on 2 commercial buildings in Petaling Jaya, Selangor and Ayer Hitam, Johor with a combined installed capacity of 0.6 MWp (RM2.4 million or 14.5%).
- (iii) Increase in revenue from residential projects by 30.5% to RM9.0 million (FYE 2017: RM6.9 million) which was mainly contributed by the following projects:
- Bekal Hikmat for the design, supply and installation of solar PV systems under the MySuria programme (RM4.3 million or 47.8%); and
 - Pekat Energy Sarawak for the design, supply and installation of solar PV systems under the SARES programme (RM3.6 million or 40.0%).
- (iv) Increase in revenue from other projects by 366.7% to RM2.8 million (FYE 2017: 0.6 million) which was mainly contributed by Segi University Sdn Bhd for the design, supply and installation of solar PV

11. FINANCIAL INFORMATION (Cont'd)

systems on its campus in Kota Damansara, Selangor with an installed capacity of 0.6 MWp (RM1.8 million or 64.3%).

ELP Division

Revenue from ELP Division increased by RM0.9 million or 2.7% mainly due to the following:

- (i) Increase in revenue from commercial projects by RM2.1 million or 17.7% as we undertook 126 projects in FYE 2018 as compared to 103 projects in FYE 2017. Notable projects undertaken during the year includes the Merdeka 118 Tower (RM0.6 million), IKEA Penang (RM0.4 million), Four Seasons Hotel (RM0.4 million) and TM Cyberjaya (RM0.4 million);
- (ii) Increase in revenue from mixed development projects by RM0.5 million or 5.0% as we undertook 131 projects in FYE 2018 as compared to 120 projects in FYE 2017; and
- (iii) Increase in revenue from industrial projects by RM0.5 million or 21.8%. Revenue from industrial projects was mainly contributed from WCT Construction Sdn Bhd for Pengerang Integrated Complex (RM2.6 million).

During FYE 2018, revenue from infrastructure projects amounted to RM6.4 million mainly contributed by MRT 2 related work amounting to RM4.1 million and LRT 3 related work amounting to RM2.2 million.

The increase in revenue from our ELP Division was offset by the decrease in revenue from community buildings and non-projects based supply and installation work by RM2.2 million or 91.1% during the FYE 2018.

Trading Division

We recorded an increase in revenue from our Trading Division by RM6.5 million or 26.2% from RM24.8 million in FYE 2017 to RM31.3 million in FYE 2018 mainly due to increase in sale of ELP related products (by RM12.2 million) and surge protection devices (by RM0.5 million). However, we recorded a decrease in sale of solar PV related products (by RM5.8 million).

(b) Comparison between FYE 2018 and FYE 2019

Our revenue decreased marginally by RM0.6 million or 0.5% from RM120.1 million in the preceding financial year to RM119.5 million in FYE 2019. Revenue from Solar Division remains the main contributor in our revenue in FYE 2019, having contributed 49.2% of our revenue for FYE 2019.

Solar Division

For FYE 2019, our revenue from Solar Division increased by RM4.0 million or 7.3% from RM54.8 million in FYE 2018 to RM58.8 million in FYE 2019, mainly due to the increase in contribution from residential projects by RM21.2 million or 236.2%.

Revenue from residential projects for FYE 2019 was mainly contributed by the following projects:

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- (i) Bekal Hikmat where we collected RM18.7 million for the design, supply and installation of solar PV systems (RM0.7 million) and sale of inventory (comprising solar PV modules, inverters and accessories) that we purchased for the MySuria programme (RM18.0 million) (FYE 2018: RM4.3 million).

The MySuria programme was discontinued by the Government at the end of 2018. At that point in time, we had already purchased the inventory for the implementation of the MySuria project. After further discussions between Bekal Hikmat and representatives from SEDA, it was agreed that all of the inventory will be purchased by the Government.

Moving forward, we expect to recognise another RM2.2 million in revenue from the MySuria contract after FYE 2019 comprising retention sum of RM1.8 million and progress claims of RM0.4 million. The retention sum is expected to be received in financial year ending 2021.

Kindly refer to Section 6.6.3.13(i) for further details; and

- (ii) Pekat Energy Sarawak for the design, supply and installation of solar PV systems under the SARES programme (RM11.1 million) (FYE 2018: RM3.6 million).

The increase in revenue from residential projects was offset by the decrease in revenue from commercial projects, industrial projects and other projects.

The decrease in revenue from commercial projects by RM8.2 million or 49.7% was mainly due to the project completion for the design, supply and installation of solar PV systems for 6 shopping complexes for Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust).

Revenue from commercial projects for FYE 2019 was mainly contributed by the following projects:

- (i) EconSave Cash & Carry Sdn Bhd for the design, supply and installation of solar PV systems on a commercial building in Senai, Johor with an installed capacity of 0.7 MWp (RM2.1 million); and
- (ii) Cahaya Serijaya Sdn Bhd for the design, supply and installation of solar PV systems on a commercial building in Sepang, Selangor with an installed capacity of 1.0 MWp (RM2.6 million).

We recorded a decrease in revenue from industrial projects by RM8.8 million or 33.3% after the completion of the majority of installation work for MetTube Sdn Bhd where we collected RM1.4 million (FYE 2018: RM7.7 million) and Metrod (Malaysia) Sdn Bhd where we collected RM0.7 million (FYE 2018: RM4.9 million).

Revenue from industrial projects for FYE 2019 was mainly contributed by the following projects:

- (i) Advent Packaging Sdn Bhd for the design, supply and installation of solar PV systems on an industrial property located in Klang, Selangor with an installed capacity of 0.8 MWp (RM1.2 million);

11. FINANCIAL INFORMATION (Cont'd)

- (ii) PWF Feeds Sdn Bhd for the design, supply and installation of solar PV systems on an industrial property located in Bukit Mertajam, Penang with an installed capacity of 0.8 MWp (RM3.0 million);
- (iii) Teh Ah Yau Rubber Factory Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Bedong, Kedah with an installed capacity of 1.0 MWp (RM2.3 million);
- (iv) Ideal Quality Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Klang, Selangor with an installed capacity of 2.6 MWp (RM2.6 million); and
- (v) CTRM Aero Composites Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Batu Berendam, Melaka with an installed capacity of 1.9 MWp (RM3.7 million).

Revenue from other projects was mainly contributed by IRM Solar Sdn Bhd for the replacement of inverters at its solar farm located in Padang Besar, Perlis (RM1.4 million).

ELP Division

We recorded a decrease in revenue from ELP Division by RM3.6 million or 10.6% and as compared to the preceding year.

The decrease in revenue from ELP Division was due to:

- (i) Decrease in revenue from commercial projects by RM3.3 million or 23.6%. We undertook 122 projects in FYE 2019 as compared to 126 projects in FYE 2018. Notable projects undertaken during the year includes the Merdeka 118 Tower (RM0.7 million), Toppen Shopping Centre (RM0.5 million) and Mitsui Outlet Park KLIA (RM0.4 million);
- (ii) Decrease in revenue from mixed development projects by RM1.8 million or 17.1%. We undertook 119 projects in FYE 2019 as compared to 131 projects in FYE 2018; and
- (iii) Decrease in revenue from industrial projects by RM0.3 million or 10.6%. Revenue from industrial projects was mainly contributed from WCT Construction Sdn Bhd for Pengerang Integrated Complex amounting to RM2.5 million (FYE 2018: RM2.6 million). We recorded lower revenue from WCT Construction Sdn Bhd as the Pengerang Integrated Complex was at its final construction phases.

The decrease in revenue was offset by the increase in revenue from infrastructure projects. During FYE 2019, revenue from infrastructure projects increased by RM1.2 million or 18.7% to RM7.6 million mainly contributed by MRT 2 related work amounting to RM5.4 million (FYE 2018: RM4.1 million) and LRT 3 related work amounting to RM1.9 million (FYE 2018: RM2.2 million). We recorded higher revenue from MRT 2 related work as we have carried out work at more sites as compared to FYE 2018.

Revenue from community buildings and non-projects based supply and installation work increased by RM0.5 million or 180.5% during the FYE 2019.

11. FINANCIAL INFORMATION (Cont'd)**Trading Division**

We recorded a decrease in revenue from our Trading Division by RM1.0 million or 3.2% from RM31.3 million in FYE 2018 to RM30.3 million in FYE 2019 mainly due to decrease in sale of ELP products (by RM4.3 million) and surge protection devices (by RM2.3 million). The decrease in sale of ELP products and surge protection devices was due to lower sales volume of orders from our customers. However, we recorded an increase in sale of solar PV related products (by RM5.7 million).

(c) Comparison between FYE 2019 and FYE 2020

Our revenue increased by RM6.1 million or 5.1% from RM119.5 million in the preceding financial year to RM125.6 million in FYE 2020. Revenue from Solar Division remains the main contributor in our revenue in FYE 2020, having contributed 57.4% of our revenue for FYE 2020.

Solar Division

For FYE 2020, our revenue from Solar Division increased by RM13.3 million or 22.6% from RM58.8 million in FYE 2019 to RM72.1 million in FYE 2020.

The increase in revenue was mainly due to the increase in contribution from the following:

- (i) Increase in revenue from industrial projects by RM31.3 million or 177.8% (FYE 2019: RM17.6 million) which was mainly contributed by the following projects:
 - MFP Solar for the design, supply and installation of solar PV power plant on 2 industrial properties located in Tanjung Malim, Perak with an installed capacity of 12.1 MWp (RM15.2 million) and Batu Kawan, Penang with an installed capacity of 1.5 MWp (RM3.8 million);
 - Ideal Quality Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Klang, Selangor with an installed capacity of 2.6 MWp (RM5.3 million);
 - Hong Seng Assembly Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Butterworth, Penang with an installed capacity of 1.3 MWp (RM4.8 million); and
 - Yeo Aik Wood Sdn Bhd for the design, supply and installation of solar PV power plant on an industrial property located in Sungai Rambai and Merlimau, Melaka with an installed capacity of 1.1 MWp (RM2.9 million).
- (ii) Increase in revenue from commercial project by RM1.3 million or 15.7% (FYE 2019: RM8.3 million) which was contributed by the following projects:
 - UTeM Holdings Sdn Bhd for the design, supply and installation of solar PV power plant on a university located in

11. FINANCIAL INFORMATION (Cont'd)

Ayer Keroh, Melaka with a combined installed capacity of 2.2 MWp (RM4.1 million); and

- Projek Lebuhraya Usahasama Bhd for the design, supply and installation of solar PV power plant on 6 selected rest areas along the North South Expressway with a combined installed capacity of 2.1 MWp (RM3.2 million).

The increase in revenue from industrial and commercial projects was offset by the decrease in revenue from residential projects and other projects.

The decrease in revenue from residential projects by RM18.1 million or 59.9% (FYE 2019: RM30.2 million) was mainly due to the discontinuation of MySuria programme where we collected RM18.7 million in FYE 2019. Our revenue from residential projects was mainly contributed by Pekat Energy Sarawak for the design, supply and installation of solar PV systems under the SARES programme (RM11.6 million).

Revenue from other projects was contributed by the design, supply and installation of an on-grid solar PV power system at a school located at Bukit Mertajam, Penang (under NEM programme) with installed capacity of 392 kWp (RM0.8 million).

ELP Division

We recorded a decrease in revenue from ELP Division by RM4.0 million or 13.1% and as compared to the preceding year.

The decrease in revenue from ELP Division was due to:

- (i) Decrease in revenue from commercial projects by RM3.1 million or 28.9%. We undertook 105 projects in FYE 2020 as compared to 122 projects in FYE 2019. Notable projects undertaken during the year includes the installation of ELP systems on data centres located at Cyberjaya (collectively RM0.8 million), a factory located at Shah Alam, Selangor (RM0.7 million) and Merdeka 118 Tower (RM0.5 million);
- (ii) Decrease in revenue from mixed development projects by RM2.3 million or 26.3%. We undertook 100 projects in FYE 2020 as compared to 119 projects in FYE 2019;
- (iii) Decrease in revenue from industrial projects by RM2.5 million or 96.9% as we completed the Pengerang Integrated Complex in FYE 2019 and did not undertake any major industrial projects during FYE 2020; and
- (iv) Decrease in revenue from community buildings and non-projects based supply and installation work by RM0.3 million or 38.5% during the FYE 2020.

The decrease in revenue was offset by the increase in revenue from infrastructure projects. During FYE 2020, revenue from infrastructure projects increased by RM4.2 million or 54.9% to RM11.8 million mainly due to LRT 3 related work amounting to RM6.0 million (FYE 2019: RM1.9 million). We recorded higher revenue from LRT 3 related work as we have carried out work at more sites as compared to FYE 2019.

11. FINANCIAL INFORMATION (Cont'd)**Trading Division**

We recorded a decrease in revenue from our Trading Division by RM3.2 million or 10.6%, mainly due to decrease in sale of ELP products (by RM3.0 million) and solar PV related products (by RM2.1 million). The decrease in sale of ELP products and solar PV related products was due to lower sales volume of orders from our customers.

The decrease is offset by an increase in sale of surge protection devices (by RM1.5 million) and aviation warning light systems (RM0.4 million).

11.2.3 Cost of sales, GP and GP margin**(i) Analysis of cost of sales by cost items**

The components of our cost of sales are as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Input materials	29,783	70.7	68,400	81.0	55,436	75.8	64,630	73.9
- Solar Division	5,056	12.0	34,823	41.2	25,543	34.9	33,434	38.2
- ELP Division	11,335	26.9	12,726	15.1	10,814	14.8	14,080	16.1
- Trading Division	13,392	31.8	20,851	24.7	19,079	26.1	17,116	19.6
Subcontractor costs	9,598	22.8	10,639	12.6	10,331	14.1	15,648	17.9
Project expenses	1,636	3.9	3,728	4.4	4,720	6.5	5,111	5.9
Sales tax and import duty	563	1.3	645	0.8	1,444	2.0	946	1.1
Transportation costs	317	0.7	652	0.8	738	1.0	554	0.6
Rental of equipment	248	0.6	372	0.4	458	0.6	551	0.6
	42,145	100.0	84,436	100.0	73,127	100.0	87,440	100.0

(a) Input materials

Input materials for the past 4 FYEs are as follows:

Input materials and services	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>Input materials</u>								
<u>Solar PV projects</u>	5,056	17.0	34,823	50.9	25,543	46.1	33,434	51.7
- Solar PV modules	2,913	9.8	22,347	32.7	11,086	20.0	20,417	31.6
- Inverters	624	2.1	3,623	5.3	4,186	7.5	3,416	5.3
- Energy storage systems	2	*	1,333	1.9	4,689	8.5	3,129	4.8
- Others ⁽¹⁾	1,517	5.1	7,520	11.0	5,582	10.1	6,472	10.0
<u>ELP projects</u>	11,335	38.0	12,726	18.6	10,814	19.5	14,080	21.8
- Conductors	5,100	17.1	6,129	9.0	5,385	9.7	5,972	9.2
- Cables	2,624	8.8	2,546	3.7	3,207	5.8	3,463	5.4
- Others ⁽²⁾	3,611	12.1	4,051	5.9	2,222	4.0	4,645	7.2

11. FINANCIAL INFORMATION (Cont'd)

Input materials and services	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trading	13,392	45.0	20,851	30.5	19,079	34.4	17,116	26.5
ELP related products	5,719	19.2	15,111	22.1	11,128	20.1	9,630	14.9
Solar related products	4,594	15.5	2,372	3.5	6,041	10.9	4,616	7.1
Surge protection devices	2,717	9.1	3,202	4.7	1,821	3.3	2,560	4.0
Aviation warning light systems	362	1.2	166	0.2	89	0.1	310	0.5
Cost of sales (input materials)	29,783	100.0	68,400	100.0	55,436	100.0	64,630	100.0

Notes:

* Negligible

(1) Balance of system comprising accessories, cables, mounting structures and solar PV monitoring systems.

(2) Comprises accessories, ELP products and accessories include lightning rods, exothermic welding systems and earth enhancing compound.

We source our input materials based on the following:

- (a) For our Solar Division and ELP Division, we generally purchase our input materials based on our projects' requirements and are selected based on the pricing, availability and lead time for delivery; and
- (b) For our Trading Division, input materials are sourced from brand owners or principals where we are the authorised distributor or third party manufacturers who produce these products for us based on our specifications and quality control.

Main input materials namely conductors used in our ELP Division and for sale at our Trading Division are made of copper and aluminium. As such, the price of these input materials is affected by global prices and foreign exchange fluctuations.

(b) Subcontractor costs

We engage subcontractors to carry out all installation works for both solar PV projects and ELP projects under our project management and supervision. This is to ensure that technical specifications are met and that work is carried out in accordance with our work and safety procedures and practices.

(c) Project expenses

Project expenses include preliminary project costs, processing fees, purchase of consumables and other direct costs relating to our projects.

In addition, the project expenses include costs incurred from the operations and maintenance services for solar PV facilities.

11. FINANCIAL INFORMATION (Cont'd)

(d) Sales tax and import duties

We incur sales tax and import duties for the import of input materials from overseas.

(e) Transportation costs

Transportation costs consist largely of logistic expenses to transport the input materials to project sites.

(f) Rental of equipment

We rent equipment for use in our projects, such as cranes, skylifts, excavators and boom lifts.

The main components of our cost of sales are input materials which ranged from 70.7% to 81.0% of our cost of sales for FYEs 2017 to FYE 2020.

(ii) Analysis of GP and GP margin by principal activities

Our GP and GP margin for the financial years under review is set out below:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Revenue	72,830	120,129	119,521	125,562
Cost of sales	(42,145)	(84,436)	(73,127)	(87,440)
GP	30,685	35,693	46,394	38,122
GP margin (%)	42.1	29.7	38.8	30.4

Our GP and GP margin for the financial years under review by principal activities is set out below:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Solar Division	5,475	36.7	12,809	23.4	23,469	39.9	20,822	28.9
ELP Division	14,658	44.3	13,323	39.2	13,557	44.5	9,140	34.6
Trading Division	10,552	42.6	9,561	30.6	9,368	30.9	8,160	30.2
	30,685	42.1	35,693	29.7	46,394	38.8	38,122	30.4

11. FINANCIAL INFORMATION (Cont'd)**(a) Solar Division**

The breakdown of GP and GP margin generated by our Solar Division by project type for the past 4 FYEs are as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, supply and installation:								
- Commercial	2,112	44.7	4,012	24.3	3,037	36.4	3,061	31.9
- Industrial	1,085	40.3	6,074	23.0	6,278	35.6	14,792	30.2
- Residential	2,148	31.2	1,897	21.1	13,452	44.6	2,669	22.2
- Others ⁽¹⁾	115	20.6	802	28.9	577	27.0	180	17.3
Operations and maintenance	15	24.2	24	24.5	125	24.9	120	25.1
	5,475	36.7	12,809	23.4	23,469	39.9	20,822	28.9

Note:

⁽¹⁾ Includes community buildings and solar farms.

(b) ELP Division

The breakdown of GP and GP margin generated by our ELP Division by project type for the past 4 FYEs are as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Commercial	5,521	46.5	6,083	43.6	4,840	45.2	2,492	32.8
Mixed development	4,472	44.6	4,744	45.0	4,243	48.5	2,228	34.8
Infrastructure	3,282	50.7	2,274	35.5	3,008	39.3	4,195	35.4
Industrial	90	3.9	114	4.0	1,147	44.5	11	23.9
Others ⁽¹⁾	1,293	53.5	108	39.0	319	40.9	214	41.2
	14,658	44.3	13,323	39.2	13,557	44.5	9,140	34.6

Note:

⁽¹⁾ Includes community buildings and non-projects based supply and installation.

11. FINANCIAL INFORMATION (Cont'd)**(c) Trading Division**

The breakdown of GP and GP margin generated by our Trading Division by types of products sold for the past 4 FYEs are as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
ELP related products	3,587	37.1	6,153	28.1	5,414	30.7	3,969	27.2
Solar PV related products	4,404	47.4	1,007	28.9	2,571	28.0	2,023	28.5
Surge protection devices	2,223	43.5	2,293	40.7	1,332	40.0	1,965	41.0
Aviation warning light systems	338	46.8	108	38.4	51	34.2	203	37.3
	10,552	42.6	9,561	30.6	9,368	30.9	8,160	30.2

(iii) Commentary on cost of sales, GP and GP margin**(a) Comparison between FYE 2017 and FYE 2018**

Our cost of sales increased by RM42.3 million or 100.5% from RM42.1 million in FYE 2017 to RM84.4 million in FYE 2018. We recorded an increase in all components of our cost of sales, comprising mainly purchase of input materials by RM38.6 million or 129.6%.

The increase in cost of sales of input materials was due to:

(i) Increase in cost of sales for:

- Solar Division by RM29.8 million or 589.4% comprising mainly solar PV modules (RM19.4 million) and inverters (RM3.0 million); and
- Trading Division by RM7.5 million or 56.0% comprising mainly ELP related products (RM9.4 million),

which is in line with the increase in revenue for our Solar and Trading Divisions; and

(ii) Increase in project expenses by RM2.1 million or 128.4% mainly due to the increase in preliminary project costs and purchase of consumables to cater to increase in our solar PV projects and ELP projects implemented during FYE 2018.

During FYE 2018, our GP increased by RM5.0 million or 16.3% to RM35.7 million (FYE 2017: RM30.7 million), which was mainly due to increase in GP from the Solar Division by RM7.3 million or 132.7%. Notwithstanding the increase in GP, we recorded lower GP margin at 29.7% (FYE 2017: 42.1%), which was mainly due to lower GP margin from the Solar Division of 23.4% (FYE 2017: 36.7%). This was due to lower average GP margin for projects carried out under the fixed lump sum plus variable periodic payments mode

11. FINANCIAL INFORMATION (Cont'd)

of operation of 13.3% after taking into consideration the 20.0% waiver from the contract sum.

Solar Division

We recorded an increase in GP from our Solar Division by RM7.3 million or 132.7% from RM5.5 million in FYE 2017 to RM12.8 million in FYE 2018. The increase was mainly from:

- (i) Commercial projects which were mainly contributed by projects undertaken for Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust) (RM1.4 million), Projek Lebuhraya Usahasama Bhd (RM0.6 million) and Cyberview Sdn Bhd (RM0.9 million);
- (ii) Industrial projects which were mainly contributed by projects undertaken for NLE Electrical Engineering Sdn Bhd (RM1.1 million), Kualiti Alam Sdn Bhd (RM1.0 million) and Firstex Knitting Industry Sdn Bhd (RM1.0 million); and
- (iii) Residential projects which were mainly contributed by the project under MySuria programme undertaken for Bekal Hikmat (RM1.1 million).

Notwithstanding the increase in GP, our GP margin from Solar Division decreased from 36.7% in FYE 2017 to 23.4% in FYE 2018 mainly due to the lower GP margin from commercial solar PV projects (24.3%) and industrial solar PV projects (23.0%) undertaken for Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust) (2.7 MWp), MetTube Sdn Bhd (4.1 MWp) and Metrod (Malaysia) Sdn Bhd (2.5 MWp).

These projects were carried out under the fixed lump sum plus variable periodic payments mode of operation where the contract fixed lump sum payable to us is equivalent to 80.0% of the contract sum stated in the Letter of Award while the remaining 20.0% of the contract sum is waived which results in us recording lower GP margins.

Nevertheless, we shall be paid a variable periodic payment based on the amount of power generated by the installed solar PV facility. The amount payable to us is 30.0% of the cost of power generated based on the appropriate prevailing published tariff rate by the utility company such as TNB. The variable payment is paid monthly starting from the 6th year from the date of commercial operation and terminates at the end of the commercial duration. Prior to FYE 2018, all of our solar PV projects were carried out under fixed lump sum payments mode of operation.

We recorded lower GP margin from residential projects of 21.1% mainly due to the low GP margin recorded for sales to Pekat Energy Sarawak under the SARES programme. Solar PV facilities under the SARES programme are not connected to the power grid and are located in rural areas. We recorded lower GP margin due to the high project implementation costs including project expenses and transportation costs as the project sites are located in rural areas.

11. FINANCIAL INFORMATION (Cont'd)

ELP Division

We recorded a decrease in GP from our ELP Division by RM1.4 million from RM14.7 million in FYE 2017 to RM13.3 million in FYE 2018. Our GP margin decreased from 44.3% in FYE 2017 to 39.2% in FYE 2018.

The main input material for ELP projects are conductors which are made of copper or aluminium. We recorded an increase in cost of copper conductors by 25.7% from an average of USD6.57/kg in FYE 2017 to an average of USD8.26/kg in FYE 2018, which is in line with global copper prices.

Resulting from the increase in copper prices, we recorded a lower GP margin of 35.5% from infrastructure projects in FYE 2018 as compared to 50.7% recorded for FYE 2017. This is because infrastructure projects namely MRT 2 and LRT 3 requires a high volume of copper conductors which runs through the length of the guideway (train track). Copper conductors are used as it is the specification set by the project owners.

We did not successfully pass on the increase in price of conductors to our customers which resulted in us recording a lower GP margin.

Notwithstanding the above, the increase in copper prices did not materially affect the GP margin for commercial and mixed development projects as these projects may use either copper or aluminium conductors and does not require such high volume of conductors. Building owners generally prefers the use of aluminium conductors which is more cost effective as compared to copper conductors.

Trading Division

Our GP for Trading Division was lower at RM9.6 million in FYE 2018 as compared to RM10.6 million in FYE 2017 while the GP margin was lower at 30.6% as compared to 42.6% in FYE 2017.

The decrease in GP and GP margin was due to:

- (i) Increase in cost of copper conductors in line with the increase in global copper prices which decreased GP margin for ELP related products from 37.1% to 28.1%; and
- (ii) Depreciation of the RM against the USD from USD1:RM4.0620 in FYE 2017 to USD1:RM4.1385 in FYE 2018 which resulted in the increase in cost for most products under the Trading Division.

We did not pass on the increase in cost to our customers in order to maintain our price competitiveness and to retain customers.

(b) Comparison between FYE 2018 and FYE 2019

Our cost of sales decreased by RM11.3 million or 13.4% from RM84.4 million in FYE 2018 to RM73.1 million in FYE 2019.

The decrease in cost of sales was mainly due to decrease in input material purchases by RM13.0 million or 19.0% mainly due to decrease in purchase of solar PV modules under our Solar Division by RM11.3 million attributable to lower volume of solar PV modules purchased as well as the lower selling prices offered by our suppliers, in line with the decrease in prices of solar PV modules globally. During FYE 2019, the price of solar PV modules had reduced from RM1,250/kWp in FYE 2018 to RM1,100/kWp in 2019. Despite the lower number of solar PV modules purchased, our revenue for Solar

11. FINANCIAL INFORMATION (Cont'd)

Division had increased due to the higher GP margin secured from the sale of inventory (comprising solar PV modules, inverters and accessories) that we purchased for the MySuria programme (RM18.0 million) (FYE 2018: RM4.3 million).

During FYE 2019, our GP increased by RM10.7 million or 30.0% to RM46.4 million (FYE 2018: RM35.7 million), which was mainly due to increase in GP from the Solar Division by RM10.7 million or 83.6%. In FYE 2019, we recorded higher GP margin at 38.8% (FYE 2018: 29.7%), which was mainly due to higher GP margin from the Solar Division of 39.9% (FYE 2018: 23.4%).

Solar Division

We recorded an increase in GP from Solar Division by RM10.7 million or 83.6% from RM12.8 million in FYE 2018 to RM23.5 million in FYE 2019. The increase was mainly from:

- (i) Commercial projects which were mainly contributed by projects undertaken for Pacific Trustees Berhad (trustee for the KIP Real Estate Investment Trust) (RM0.5 million), EconSave Cash & Carry Sdn Bhd (RM0.7 million) and Cahaya Serijaya Sdn Bhd (RM0.8 million);
- (ii) Industrial projects which were mainly contributed by projects undertaken for MetTube Sdn Bhd (RM1.0 million), Metrod (Malaysia) Sdn Bhd (RM0.5 million), Advent Packaging Sdn Bhd (RM0.7 million), PWF Feeds Sdn Bhd (RM1.1 million), Teh Ah Yau Rubber Factory Sdn Bhd (RM0.5 million), Ideal Quality Sdn Bhd (RM0.8 million) and CTRM Aero Composites Sdn Bhd (RM0.6 million); and
- (iii) Residential projects which were mainly contributed by Bekal Hikmat under MySuria programme (RM11.3 million). Other residential projects were for Pekat Energy Sarawak under the SARES programme (RM2.5 million).

Correspondingly, the GP margin from Solar Division increased from 23.4% in FYE 2018 to 39.9% in FYE 2019. The increase in GP margin was due to:

- (i) Decrease in solar PV module prices by approximately 20.0% which lowered our cost of sales. The decrease in solar PV module prices was due to the lower selling prices offered by our suppliers; and
- (ii) In FYE 2019, we recorded a 73.8% decrease in revenue from the implementation of fixed lump sum plus variable periodic payments mode of operation of RM5.1 million (from 4 projects) as compared to RM19.5 million (from 3 projects) recorded in FYE 2018.

Projects carried out under the fixed lump sum plus variable periodic payments mode of operation where the contract fixed lump sum payable to us is equivalent to 80.0% of the contract sum stated in the Letter of Award while the remaining 20.0% of the contract sum is waived.

As 20.0% of the contract sum is waived by us, we recorded lower GP margins from these projects. Due to the decrease in contribution from

11. FINANCIAL INFORMATION (Cont'd)

projects under fixed lump sum plus variable periodic payments mode of operation in FYE 2019 as compared to FYE 2018, our GP margin increased.

ELP Division

We recorded increase in GP from ELP Division from RM13.3 million in FYE 2018 to RM13.5 million in FYE 2019.

We recorded lower GP from commercial and mixed development projects due to the lower number of projects undertaken. In FYE 2019, we undertook 122 commercial projects (FYE 2018: 126 projects) and 119 mixed development projects (FYE 2018: 131 projects).

We recorded an increase in GP for both infrastructure and industrial projects. GP recorded for both infrastructure and industrial projects in FYE 2019 was mainly from MRT 2 (RM2.2 million), LRT 3 (RM0.7 million) and WCT Construction Sdn Bhd for Pengerang Integrated Complex (RM1.1 million).

We recorded a further increase in cost of copper conductors by 5.9% from an average of USD8.26/kg in FYE 2018 to an average of USD8.75/kg in FYE 2019, in line with global copper prices.

Notwithstanding the increase in our cost of copper, we were able to record an increase in GP margin from 39.2% in FYE 2018 to 44.5% in FYE 2019 as we had successfully secured higher contract prices for new projects during FYE 2019 after taking into consideration copper conductor price increases. With higher contract prices secured, we effectively passed on the increase in our cost of copper to our customers.

Trading Division

We recorded a marginal decrease in GP of RM0.2 million from our Trading Division and a marginal increase in GP margin from 30.6% in FYE 2018 to 30.9% in FYE 2019.

During FYE 2019, we recorded a decrease in GP for sales of ELP related products (by RM0.7 million) and surge protection devices (by RM1.0 million). The decrease was offset by increase in GP from solar PV related products by RM1.6 million.

Overall, we did not record any material fluctuation in our GP margin for our Trading Division.

(c) Comparison between FYE 2019 and FYE 2020

Our cost of sales increased by RM14.3 million or 19.6% from RM73.1 million in FYE 2019 to RM87.4 million in FYE 2020. The increase in our cost of sales was mainly due to the following:

- (i) Increase in purchase of solar PV modules under our Solar Division by RM9.3 million or 83.9% due to higher volume of solar PV purchased to support the increase in solar PV projects implemented during FYE 2020; and
- (ii) Increase in subcontractor costs by RM5.3 million or 51.3% mainly due to higher subcontractor incurred for an industrial property

11. FINANCIAL INFORMATION (Cont'd)

located in Tanjung Malim, Perak undertaken for MFP Solar as it has higher subcontractor cost due to the large installed capacity of 12.1 MWp.

Notwithstanding the increase in revenue in FYE 2020, we recorded lower GP by RM8.3 million or 17.9% (FYE 2019: RM46.4 million) as we recorded lower GP margin for all 3 divisions. The overall decrease in GP margin is mainly due to increasing competition within the solar PV and ELP industries. In order to secure contracts, we had reduced our pricing in order to remain competitive and be in line with prices offered by our competitors.

Solar Division

We recorded a decrease in GP from Solar Division by RM2.7 million or 11.5% from RM23.5 million in FYE 2019 to RM20.8 million in FYE 2020. The decrease was mainly due to the decrease in GP from residential projects by RM10.8 million where we recorded lower GP margin of 22.2% (FYE 2019: 44.6%). Subsequent to the discontinuation of the MySuria programme, GP margin from residential projects normalised to 22.2%. This has resulted in a lower GP margin for our Solar Division during FYE 2020 at 28.9% (FYE 2019: 39.9%). The GP recorded under the MySuria programme only comprised sale of inventory and did not involve any implementation costs. As such, the GP margin for MySuria programme is higher at 50.1%

The decrease in GP from Solar Division was offset by the increase in GP from industrial projects by RM8.5 million, mainly contributed by projects undertaken for MFP Solar (RM5.0 million), Ideal Quality Sdn Bhd (RM2.1 million) and Hong Seng Assembly Sdn Bhd (RM1.7 million). The GP margin for industrial projects was lower at 30.2% (FYE 2019: 35.6%) due to lower GP margin recorded for an industrial property located in Tanjung Malim, Perak undertaken for MFP Solar as it has higher subcontractor cost due to the large installed capacity of 12.1 MWp. In addition, projects with large installed capacity will generally have a lower GP margin as we will submit a lower bid in order to remain competitive and be in line with market contract value for projects of such sizes. Nevertheless, due to the large contract value, the GP for large projects is high notwithstanding the lower GP margin.

The GP from commercial projects were consistent at RM3.1 million (FYE 2019: RM3.0 million). The GP margin was however lower due to lower GP margin recorded for the project undertaken for UTeM Holdings Sdn Bhd as it has required higher implementation cost as the solar panels are installed at multiple buildings with irregular roof profiles.

As part of our Group's corporate social responsibility initiatives, we undertook the design, supply and installation of an on-grid solar PV power system at a school located at Bukit Mertajam, Penang at nominal GP margin, which resulted in lower GP margin of 17.3% (FYE 2019: 27.0%) under other projects.

11. FINANCIAL INFORMATION (Cont'd)**ELP Division**

We recorded a decrease in GP from our ELP Division by RM4.5 million or 33.1% from RM13.6 million in FYE 2019 to RM9.1 million in FYE 2020. Our GP margin decreased from 44.5% in FYE 2019 to 34.6% in FYE 2020.

We recorded lower GP from commercial and mixed development projects due to the lower number of projects undertaken. In FYE 2020, we undertook 105 commercial projects (FYE 2019: 122 projects) and 100 mixed development projects (FYE 2019: 119 projects).

We recorded a lower overall GP margin of 34.6% (FYE 2019: 44.5%) due to lower GP margin secured for all project types. We had lowered our pricing in order to secure contracts and remain competitive.

Trading Division

We recorded a decrease in GP of RM1.2 million from our Trading Division and a marginal decrease in GP margin from 30.9% in FYE 2019 to 30.2% in FYE 2020.

During FYE 2020, we recorded a decrease in GP for sales of ELP related products (by RM1.4 million) and solar PV related products (by RM0.5 million). The decrease was offset by increase in GP from surge protection devices by RM0.6 million.

Overall, we did not record any material fluctuation in our GP margin for our Trading Division.

11.2.4 Other income

The breakdown of our other income is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Dividend income	-	-	-	-	132	7.6	120	7.1
Foreign exchange:								
- Realised gain on foreign exchange	192	11.2	144	25.4	-	-	-	-
- Unrealised gain on foreign exchange	38	2.2	8	1.4	137	7.9	-	-
Gain on disposal of a subsidiary	318	18.5	-	-	-	-	18	1.1
Gain on disposal of an associate	250	14.5	-	-	-	-	*	*
Bargain purchase on acquisition of a subsidiary	142	8.2	-	-	-	-	-	-
Gain on disposal of property, plant and equipment	394	22.9	77	13.6	-	-	2	0.1
Sale of solar energy generated to TNB	97	5.6	121	21.3	104	6.0	102	6.1
Reversal of impairment loss on trade receivable	-	-	141	24.9	1,113	64.1	349	20.7
Waiver of amount due to related parties	224	13.0	-	-	-	-	-	-
Subsidy from Government	-	-	-	-	-	-	449	26.7

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Management income from associated company	-	-	-	-	-	-	277	16.4
Others ⁽¹⁾	68	3.9	76	13.4	249	14.4	368	21.8
	1,723	100.0	567	100	1,735	100.0	1,685	100.0

Notes:

* Negligible

(1) Comprising fair value gain on other investment, reversal of impairment loss on contract assets, reversal of impairment loss on inventories, insurance claim, rental income of equipment and bad debts recovered.

Comparison between FYE 2017 and FYE 2018

In FYE 2017, we recorded other income of RM1.7 million which comprises mainly the following:

- (i) Realised gain on foreign exchange of RM0.2 million;
- (ii) Gain on disposal of a subsidiary of RM0.3 million*;
- (iii) Gain on disposal of an associated company of RM0.3 million*;
- (iv) Gain on acquisition of RM0.1 million as we acquired 100.0% equity interest in Solar Data Systems Sdn Bhd at a cash consideration of RM1,000. The net assets of Solar Data Systems Sdn Bhd as at 31 December 2017 was RM0.1 million;
- (v) Gain on disposal of property, plant and equipment of RM0.4 million for the disposal of 6 motor vehicles to Directors and an employee; and
- (vi) In 2017, we disposed 51.0% equity interest in Enersave Lighting Sdn Bhd. At the point of disposal, there is an amount owing by Pekat Teknologi to Enersave Lighting Sdn Bhd of RM0.2 million. This amount was subsequently waived and hence, we recorded an income of RM0.2 million.

Note:

* In preparation for our Listing, we disposed the following inactive subsidiary and associated company to non-related parties:

Date of Disposal		Company name		Equity interest	Disposal consideration RM'000	Gain from disposal RM'000
27	December 2017	Enersave Lighting	Sdn Bhd	51.0%	204	318
29	December 2017	LTI Teltek	Sdn Bhd	50.0%	250	250
						568

11. FINANCIAL INFORMATION (Cont'd)

Enersave Lighting Sdn Bhd was incorporated on 5 February 2010. It started operations in February 2010 and was involved in trading of LED products. In January 2016, Enersave Lighting Sdn Bhd ceased operations due to the intense competition we faced in the supply of the LED products.

LTI Teltek Sdn Bhd was incorporated on 4 May 2009. It started operations in June 2009 and was involved in the supply and installation of tele-communication infrastructure. In August 2015, LTI Teltek Sdn Bhd ceased operations as we had decided to focus on growing our Solar Division, ELP Division and Trading Division.

In FYE 2018, we recorded a decrease in other income by RM1.1 million or 64.7% to RM0.6 million. Other income in FYE 2018 was mainly contributed by realised gain on foreign exchange of RM0.1 million and reversal of impairment loss on trade receivables of RM0.1 million as we managed to collect overdue payments from our customers for which the trade receivables were impaired in prior financial years.

Comparison between FYE 2018 and FYE 2019

In FYE 2019, other income increased to RM1.7 million in FYE 2019, mainly due to the following:

- (i) Dividend income of RM0.1 million from our investment in asset management funds;
- (ii) Unrealised gain on foreign exchange by RM0.1 million; and
- (iii) Increase in reversal of impairment loss on trade receivable by RM1.0 million arising from collection of overdue payments from customers for which the trade receivables were impaired in prior financial years.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, other income decreased marginally by RM0.05 million in FYE 2020.

We recorded a decrease in reversal of impairment loss on trade receivable by RM0.8 million to RM0.3 million (FYE 2019: RM1.1 million) due to lower collection of overdue payments from customers as compared to the preceding financial year.

The decrease in other income was offset by the following:

- (i) Wage subsidy amounting to RM0.4 million received from the Government under the Wage Subsidy Programme implemented by the Government due to Covid-19 pandemic; and
- (ii) Management fees received from our associated company, Pekat Energy Sarawak of RM0.3 million.

11.2.5 Administrative expenses

The breakdown of our administrative expenses is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff cost ⁽¹⁾	10,135	53.6	11,071	57.1	12,916	52.6	11,173	53.9
Directors' remuneration	1,501	7.9	2,076	10.7	3,003	12.2	2,745	13.2

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation and amortisation	1,588	8.4	886	4.6	1,045	4.3	903	4.4
Rental ⁽²⁾	1,273	6.7	1,250	6.4	1,261	5.1	1,210	5.8
Professional fees ⁽³⁾	511	2.7	365	1.9	669	2.7	966	4.7
Insurance	415	2.2	250	1.3	291	1.2	229	1.1
Travelling expenses	681	3.6	725	3.7	775	3.2	545	2.6
Sales and marketing expenses	1,602	8.5	1,620	8.3	2,446	10.0	1,814	8.8
Authorities related expenses ⁽⁴⁾	511	2.7	367	1.9	1,050	4.3	-	-
Office supplies and stationery	228	1.2	229	1.2	314	1.3	300	1.4
Maintenance of office assets	326	1.7	322	1.7	518	2.1	557	2.7
Utility	94	0.5	184	0.9	195	0.8	224	1.1
Bank charges	48	0.3	49	0.2	54	0.2	72	0.3
	18,913	100.0	19,394	100.0	24,537	100.0	20,738	100.0

Notes:

- (1) Includes salaries, bonuses, incentives, allowances, employees' provident fund contributions, allowances, benefits and staff related expenses.
- (2) Includes rental of offices, warehouse and staff accommodation.
- (3) Including fees paid to company secretaries, auditors, lawyers, tax agent and other professional consultants.
- (4) Including filing fees, licence fees, stamp duties and other miscellaneous expenses paid to the authorities.

Comparison between FYE 2017 and FYE 2018

For FYE 2018, administrative expenses increased by RM0.5 million or 2.6% as compared to the preceding financial year. The increase was mainly due to the following:

- (i) Increase in staff cost by RM0.9 million due to the annual increment for the existing employees;
- (ii) Increase in Directors' remuneration by RM0.6 million due to the increase in Directors' fees and annual increment of Directors' salaries. This is in line with the increase in our financial performance; and

The increase in administrative expenses was partially offset by the decrease in depreciation cost by RM0.7 million in FYE 2018 after the disposal of 6 motor vehicles to Directors and an employee.

Comparison between FYE 2018 and FYE 2019

For FYE 2018, administrative expenses increased by RM5.1 million or 26.3% as compared to the preceding financial year. The increase was mainly due to the following:

11. FINANCIAL INFORMATION (Cont'd)

- (i) Increase in staff costs by RM1.8 million due to the addition of 8 managerial level employees (including 2 from sales and marketing team for our Solar Division) and annual increment of the existing employees;
- (ii) Increase in Directors' remuneration by RM0.9 million due to increase in Directors' fees and annual increment of Directors' salaries;
- (iii) Increase in professional fees by RM0.3 million for the fees paid to our professionals in preparation for our Listing;
- (iv) Increase in sales and marketing expenses by RM0.8 million which was mainly due to our sponsorship for the MPIA Solar Roadshow 2019 and participation in ASEAN Super 8 (ASEAN M&E 2019) and International Greentech & Eco Product Exhibition & Conference Malaysia 2019; and
- (v) Increase in authorities related expenses by RM0.7 million mainly due to the stamp duty paid for the acquisition of Elmina Land.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, administrative expenses decreased by RM3.8 million or 15.5% as compared to the preceding financial year. The decrease was mainly due to the following:

- (i) Decrease in Directors' remuneration and staff costs by RM2.0 million as we did not pay any bonus to our employees in order to preserve our cash as a result of the Covid-19 pandemic. This is part of our efforts to reduce our expenses; and
- (ii) Decrease in sales and marketing expenses by RM0.6 million as well as travelling expenses by RM0.2 million as the Government has imposed travel ban during the implementation of MCOs as result of the Covid-19 pandemic.

11.2.6 Other expenses

The breakdown of other expenses is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment loss on contract assets	-	-	-	-	284	6.5	638	69.6
Impairment loss on trade receivables/retention sum	324	31.4	988	81.5	3,318	76.4	176	19.2
Impairment loss on inventories	218	21.1	-	-	415	9.5	-	-
Loss on disposal of a subsidiary	-	-	-	-	82	1.9	-	-
Realised loss on foreign exchange	-	-	-	-	142	3.3	21	2.3
Unrealised loss on foreign exchange	-	-	-	-	-	-	66	7.2
Written off of other receivables	427	41.4	106	8.8	-	-	-	-
Written off of trade receivables	15	1.5	90	7.4	-	-	*	*
Written off of inventories	-	-	-	-	82	1.9	-	-
Written down of inventories	47	4.6	7	0.6	-	-	-	-

11. FINANCIAL INFORMATION (Cont'd)

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Others	-	-	21	1.7	22	0.5	16	1.7
	1,031	100.0	1,212	100.0	4,345	100.0	917	100.0

Note:

* Negligible

Comparison between FYE 2017 and FYE 2018

For FYE 2018, other expenses increased by RM0.2 million or 19.4% as compared to the preceding financial year. The increase was mainly due to the increase in impairment loss on trade receivables of RM0.7 million. In FYE 2018, impairment loss on trade receivables of RM1.0 million was provided for ELP Division of RM0.7 million and Trading Division of RM0.3 million for trade receivables that are past due and no subsequent collection were received. We have issued reminder letters and demand letters to recover these amounts.

Comparison between FYE 2018 and FYE 2019

For FYE 2019, other expenses increased by RM3.1 million or 255.8% as compared to the preceding financial year. The increase was mainly due to the following:

- (i) Impairment loss on contract assets of RM0.3 million due to the long delay by main contractors in issuing the progress certificate for work done and as such, we were not able to bill for work done for 43 ELP projects as at 31 December 2019;
- (ii) Increase in impairment loss by RM2.3 million to RM3.3 million due to:
 - (a) Impairment loss for retention sum under ELP Division of RM2.0 million for 138 ELP projects where the defect liability period has passed but no final certificate of making good defects was issued by the main contractor. Certificate of making good defects is issued at the end of the defect liability period and thereafter, all retention sums are released. Efforts by us to recover these sum include issuing reminder letters and demand letters; and
 - (b) Impairment loss on trade receivables provided for Solar Division of RM0.6 million, ELP Division of RM0.5 million and Trading Division of RM0.2 million for trade receivables that are past due and no subsequent collection were received. We have issued reminder letters and demand letters to recover these amounts;
- (iii) Impairment loss on inventories of RM0.4 million due to slow moving stock comprising mainly ELP products and accessories, surge protection devices, solar PV inverters and monitoring systems;
- (iv) Loss on disposal of 51.0% equity interest in Pekat Solar VN Co Ltd, a subsidiary incorporated in Vietnam which was inactive. Pekat Solar VN Co Ltd was incorporated to undertake solar PV projects in Vietnam. However, it has not commenced any operations since its incorporation and as such was disposed to a non-related party. At this juncture, we have no intention of undertaking any solar PV projects outside of Malaysia; and
- (v) Realised loss on foreign exchange recorded of RM0.1 million.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, other expenses decreased by RM3.4 million or 78.3% as compared to the preceding financial year. The decrease was mainly due to the decrease in impairment loss on trade receivables/retention sum by RM3.1 million to RM0.2 million in FYE 2020 (FYE 2019: RM3.3 million).

The decrease was offset by the increase in impairment loss on contract assets by RM0.4 million. We recorded impairment loss on contract assets of RM0.6 million due to the long delay by main contractors in issuing the progress certificate for work done and as such, we were not able to bill for work done for 47 ELP projects as at 31 December 2020.

Progress claims are submitted by us to the main contractor for ELP work done for each section/parcel of the project. However, the main contractors may not inspect each section/parcel immediately in accordance to the billable milestone stated in the project contract and may wait for more sections/parcels to be completed before commencing any inspection work. This will result in a delay in issuing the progress certificate for work done.

As such, pursuant to MFRS 136, impairment losses on contract assets were provided on those uncertified completed works done that exceed the completion date as stated in the Letter of Award for each project contract.

11.2.7 Finance income

The breakdown of our finance income is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Finance income from:								
Fixed deposits	306	42.7	302	36.7	301	33.7	210	55.3
Related party ⁽¹⁾	411	57.3	521	63.3	509	57.0	121	31.8
Others ⁽²⁾	-	-	-	-	83	9.3	49	12.9
	717	100.0	823	100.0	893	100.0	380	100.0

Notes:

- (1) The related party is Startige which is owned by our Promoters. Startige is the registered owner of the Cubic Space Office. However, the acquisition of Units 3A and 5 of Cubic Space Office by Startige was financed by term loans drawn by our Group.

As the term loans for Units 3A and 5 of Cubic Space Office were drawn by our Group and the loan instalments were also paid by our Group, Startige had reimbursed our Group for these loan instalments. The interest portion of the instalment received is recorded as finance income. Kindly refer to Section 9.1.1 for additional information.

- (2) Others comprising:

- (a) On 1 January 2019, Pekat Solar (as lender) had entered into a loan agreement with Multi Link Sdn Bhd (as borrower) and Lee Seng (as guarantor) whereby Pekat Solar had extended a loan of RM2.0 million to Multi Link Sdn Bhd. The loan carries an interest rate of 7.0% and is for a tenure of 6 months. Multi Link Sdn Bhd had requested financing from our Group for its business expansion and working capital purposes. Lee Seng,

11. FINANCIAL INFORMATION (Cont'd)

the shareholder and director of Multi Link Sdn Bhd is a personal friend of our Promoters. The loan was fully repaid with interests on 15 July 2019.

Interest income of RM70,000 was recorded from Multi Link Sdn Bhd.

- (b) In 2018, we undertook the design, supply and installation of solar PV power systems on an industrial property located in Kulim, Kedah for Firstex Knitting Industry Sdn Bhd ("Firstex") with a contract value of RM2.2 million and the project was completed in the same year. As at 31 December 2019, the amount owing from Firstex was RM2.0 million.

As at the LPD, we received payment of RM1.8 million and the balance shall be paid via monthly instalments up till June 2022 as per a revised payment schedule.

Discount on trade receivables of RM0.1 million was provided for the instalment payments due from Firstex. Under MFRS 9, trade receivables with contractual repayment terms of more than 12 months requires the application of a discount to the future repayments to arrive at a present value at the date of recognition.

The discounted amount will be unwinded throughout the repayment period until full repayment. As such, we recorded unwinding of discount on trade receivables totalling RM13,000 in FYE 2019 due to the discounting of trade receivables to its present value during the financial year.

Comparison between FYE 2017 and FYE 2018

In FYE 2018, we recorded an increase in finance income by RM0.1 million as compared to the preceding financial year due to higher finance income received from Startige.

Comparison between FYE 2018 and FYE 2019

In FYE 2019, we recorded an increase in finance income by RM0.1 million as compared to the preceding financial year due to interest income of RM70,000 recorded from Multi Link Sdn Bhd and unwinding of discount on trade receivables totalling RM13,000.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, we recorded a decrease in finance income by RM0.5 million as compared to the preceding financial year due to lower finance income received from Startige. In February 2020, the term loans for Units 3A and 5 of the Cubic Space Office were fully refinanced via a term loan drawn by Startige. As such, the finance income from Startige has reduced from RM0.5 million to RM0.1 million.

In addition, we recorded lower interest income received due to lower effective interest rates from fixed deposits of 2.1% (FYE 2019: 3.3%).

11. FINANCIAL INFORMATION (Cont'd)**11.2.8 Finance costs**

The breakdown of our finance costs is as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses from:								
Term loan	490	47.5	513	44.5	468	45.3	330	37.2
Bankers' acceptance	186	18.0	219	19.0	445	43.0	407	45.9
Lease liabilities	168	16.3	86	7.4	75	7.2	46	5.2
Bank guarantees	181	17.6	21	1.8	27	2.6	37	4.2
Bank overdrafts	4	0.4	112	9.7	7	0.7	5	0.6
Letter of credit	-	-	72	6.2	6	0.6	27	3.0
Forward contract	2	0.2	-	-	6	0.6	-	-
Discount on trade receivables	-	-	131	11.4	-	-	35	3.9
	1,031	100.0	1,154	100.0	1,034	100.0	887	100.0

Comparison between FYE 2017 and FYE 2018

In FYE 2018, finance costs increased by RM0.1 million as compared to the preceding financial year. The increase was mainly due to:

- (i) Increase in interest expenses charged on bank overdrafts increased by RM0.1 million as we utilised higher bank overdrafts during the FYE 2018 to finance our working capital;
- (ii) Discount on trade receivables of RM0.1 million was provided for the instalment payments of more than 12 months due from Firstex; and
- (iii) Interest from letter of credit incurred in FYE 2018 amounting to RM0.1 million which are used to finance the import of input materials from overseas.

The increase in finance cost was offset by the decrease in bank guarantees charges by RM0.2 million due to lower tender bonds and performance bonds provided for the financial year. We also recorded a decrease in lease liabilities as we disposed 6 motor vehicles to Directors and an employee.

Comparison between FYE 2018 and FYE 2019

For FYE 2019, finance costs decreased by RM0.1 million as compared to the preceding financial year. We recorded an increase of RM0.2 million in interest expenses charged on bankers' acceptances which were used to finance our working capital. We had utilised more bankers' acceptance during FYE 2019 instead of bank overdrafts to finance our working capital.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, finance costs decreased by RM0.1 million as compared to the preceding financial year. The decreased was mainly due to the decrease in interest expenses from term loan by RM0.1 million. From February 2020 onwards, the term loans for Units 3A and 5 of the Cubic Space Office were fully refinanced via a term loan drawn by Startige, hence we recorded lower term loan expenses for the Cubic Space Office of RM0.1 million. Notwithstanding this, we incurred interest expenses from term loan for Elmina Land amounting to RM0.2 million during FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)**11.2.9 Tax expense, PBT and PAT**

The following tables sets out the comparison between the statutory tax rates and our effective tax rates for the financial years under review:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	%	%	%	%
Statutory tax rate:				
- on the first RM500,000	18	18	17	17
- balance of chargeable income	24	24	24	24
Tax expense (RM'000)	2,629	4,336	4,819	4,809
Effective tax rate	21.7	28.3	24.5	26.2

The following tables sets out the PBT, PBT margin, PAT and PAT margin for the financial years under review:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
PBT (RM'000)	12,093	15,344	19,674	18,383
PBT margin (%)	16.6	12.8	16.5	14.6
PAT (RM'000)	9,464	11,008	14,855	13,574
PAT margin (%)	13.0	9.2	12.4	10.8

Comparison between FYE 2017 and FYE 2018

The Government had in Budget 2017 provided a tax incentive for small and medium enterprise wherein the company is able to enjoy a lower tax in the event the company records more than 5% increase in its chargeable income of first RM500,000 for FYE 2017 as compared to the preceding financial year ended 2016. The tax incentive is effective from 1 January 2017 to 31 December 2018. Resulting from the incentive from Government, our Group enjoyed a tax savings amounting to RM0.2 million and our effective tax rate of 21.7% for FYE 2017 is lower than the statutory tax rate.

For FYE 2018, our PBT improved from RM12.1 million for FYE 2017 to RM15.3 million for FYE 2018. Corresponding to the increase in PBT, our PAT increased to RM11.0 million. The effective tax rate increased to 28.3% in FYE 2018 from 21.7% in FYE 2017 due to increase in expenses that are not tax deductible such as impairment loss on trade receivables amounting to RM1.0 million.

Comparison between FYE 2018 and FYE 2019

For FYE 2019, our PBT improved from RM15.3 million for FYE 2018 to RM19.7 million for FYE 2019. Corresponding to the increase in PBT, our PAT increased to RM14.9 million. The effective tax rate normalised to 24.5% in FYE 2019 which is consistent with the statutory tax rate. During FYE 2019, we recorded lower effective tax rate due to reversal of overprovision of tax expense of RM0.6 million.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, our PBT decreased from RM19.7 million for FYE 2019 to RM18.4 million for FYE 2020. Corresponding to the decrease in PBT, our PAT decreased to RM13.6 million. The effective tax rate increased to 26.2% from 24.5% recorded in FYE 2019 due to recognition of under provision of deferred tax liabilities in preceding year of RM0.1 million and non-recognition of deferred tax asset of RM0.2 million in FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)**11.2.10 Review of financial position****(a) Assets**

Our assets for the financial years under review comprise the following:

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	1,958	2,041	2,414	20,073
Intangible assets	-	-	787	641
Investment in associates	-	389	1,412	2,149
Other investments	-	47	-	-
Trade receivables	-	733	406	246
Amount due from related parties	8,171	7,611	4,013	-
Total non-current assets	10,129	10,821	9,032	23,109
Current assets				
Other investments	-	-	9,507	1,159
Inventories	8,909	10,971	11,406	11,019
Trade receivables	18,421	22,821	23,462	28,921
Other receivables	3,207	2,294	3,128	3,183
Contract assets	9,549	19,343	14,761	23,971
Amount due from associates	400	1,804	4,912	9,240
Amount due from related parties	2,178	2,087	6,214	-
Tax recoverable	663	466	11	-
Fixed deposits with licenced banks	6,882	10,497	7,661	9,135
Cash and bank balances	13,831	7,947	8,235	15,076
Total current assets	64,040	78,230	89,297	101,704
TOTAL ASSETS	74,169	89,051	98,329	124,813

FYE 2018**Non-current assets**

Our non-current assets increased by RM0.7 million or 6.9% mainly due to the following:

- (i) Increase in investment in associates resulting from our acquisition of 49.0% equity interest in Pekat Energy Sarawak; and
- (ii) Increase in trade receivables by RM0.7 million arising from the instalment payment due from Firstex.

In 2018, we undertook the design, supply and installation of solar PV power systems on an industrial property located in Kulim, Kedah for Firstex with a contract value of RM2.2 million and the project was completed in the same year. As at 31 December 2019, the amount owing from Firstex was RM2.0 million.

11. FINANCIAL INFORMATION (Cont'd)

As at the LPD, we received payment of RM1.8 million and the balance shall be paid via monthly instalments up till June 2022 as per a revised payment schedule. Instalment payments due after 12 months are recorded as trade receivables under non-current assets.

The increase in non-current asset was partially offset by lower amount due from Startige of RM0.6 million, which comprises term loans drawn by our Group to finance the acquisition of Units 3A and 5 of Cubic Space Office by Startige. The amount due from Startige has been collected as at the LPD.

Current assets

Our current assets increased by RM14.2 million or 22.2% mainly due to the following:

- (i) Increase in inventories by RM2.1 million which was due to purchase of solar PV systems for the MySuria programme under Bekal Hikmat;
- (ii) Increase in trade receivables by RM4.4 million mainly due to increase in revenue FYE 2018 of RM47.3 million;
- (iii) Increase in contract assets by RM9.8 million mainly due to 2 solar PV projects from MetTube Sdn Bhd and Metrod (Malaysia) Sdn Bhd where the contract assets recorded under these 2 projects amounted to RM8.2 million as at 31 December 2018;
- (iv) Increase in amount due from Pekat Energy Sarawak, our associated company of RM1.4 million for work done under the SARES programme but not collected from Pekat Energy Sarawak. The amount owing from Pekat Energy Sarawak was due to the pending final testing and commissioning by Sarawak Energy Berhad. Upon completion of the testing and commissioning, Pekat Energy Sarawak then billed Sarawak Energy Berhad. The amount has since been collected; and
- (v) Increase in fixed deposits placed with licenced banks of RM3.6 million.

Our cash and bank balances reduced by RM5.9 million due to the placement of fixed deposits (RM3.6 million) and used for working capital purposes (RM2.3 million).

FYE 2019**Non-current assets**

Our non-current assets decreased by RM1.8 million or 16.6% mainly due to reclassification of amount owing from Startige from non-current assets to current assets as RM3.0 million was reclassified to be payable within 1 year. The amount relates to the term loans drawn for Units 3A and 5 of Cubic Space Office.

The decrease in non-current assets was partially offset by:

- (i) Intangible assets of RM0.8 million recorded from the acquisition of an accounting system by Pekat Teknologi (RM0.6 million) and the development of energy management system by Pnexsoft (RM0.2 million); and

11. FINANCIAL INFORMATION (Cont'd)

- (ii) Increase in the investment in associates by RM1.0 million which was due to the acquisition of 45% equity interest in MFP Solar (RM0.5 million) and share of NA from the our associated companies, namely Pekat Energy Sarawak (RM0.3 million) and Sunway Pekat Solar (RM0.2 million).

Current assets

Our current assets increased by RM11.1 million or 14.2% mainly due to the following:

- (i) Investment in asset management funds of RM9.4 million and dividend of RM0.1 million from the said investment;
- (ii) Increase in amount due from Pekat Energy Sarawak, our associated company of RM3.1 million for work done under the SARES programme but not collected from Pekat Energy Sarawak. The amount owing from Pekat Energy Sarawak was due to the pending final testing and commissioning by Sarawak Energy Berhad. Upon completion of the testing and commissioning, Pekat Energy Sarawak then billed Sarawak Energy Berhad. The amount has since been collected; and
- (iii) Increase in amount due from Startige mainly due to reclassification of amount owing from Startige from non-current assets to current assets as RM3.0 million was reclassified to be payable within 1 year. The amount due from Startige has been collected as at the LPD.

The increase in current assets was partially offset by:

- (i) Decrease in contract assets of RM4.6 million was mainly due to billing raised to Bekal Hikmat in FYE 2019 after the discontinuation of the MySuria programme; and
- (ii) Withdrawal of RM2.8 million in fixed deposits with licenced banks for the deposit of RM1.7 million paid for the acquisition of Elmina Land and the balance was to finance our working capital.

FYE 2020

Non-current assets

Our non-current assets increased by RM14.1 million or 156.1% mainly due to following:

- (i) Increase in property, plant and equipment by RM17.7 million mainly due to the acquisition of Elmina Land; and
- (ii) Increase in the investment in associates by RM0.7 million which was mainly due to increase in share of NA from our associated companies, namely Pekat Energy Sarawak (RM0.1 million) and Sunway Pekat Solar (RM0.6 million).

The increase in non-current assets was partially offset by the repayment of amount owing from Startige amounting to RM4.0 million in FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)**Current assets**

Our current assets increased by RM12.4 million or 13.9% mainly due to the following:

- (i) Increase in trade receivables by RM5.5 million mainly due to increase in revenue in FYE 2020 of RM6.0 million;
- (ii) Increase in contract assets by RM9.2 million mainly due to contract assets recorded for 3 solar PV projects from Projek Lebuhraya Usahasama Bhd, ENGIE Services Sdn Bhd and MFP Solar (totalling RM7.1 million) and 2 ELP projects from Sunway Construction Sdn Bhd and Wah Loon (M) Sdn Bhd (totalling RM1.7 million) as at 31 December 2020;
- (iii) Increase in amount due from associates of RM4.3 million mainly due to the increase in amount due from:
 - (aa) Pekat Energy Sarawak of RM1.0 million for work done under the SARES programme but not collected from Pekat Energy Sarawak as at 31 December 2020. As at the LPD, the amount due from Pekat Energy Sarawak is RM0.8 million and this amount is expected to be collected upon completion of the testing and commissioning by Sarawak Energy Berhad; and
 - (bb) MFP Solar for advances (RM1.2 million) and work done under VAT PPA and Proton PPA (collectively RM1.7 million) as at 31 December 2020. The amount due from MFP Solar has been collected as at the LPD.
- (iv) Increase in cash and bank balances of RM6.8 million and increase in fixed deposits of RM1.5 million mainly due to the proceeds received from net disposal of investment in asset management funds of RM8.3 million in FYE 2020.

The increase in current assets was partially offset by the following:

- (i) Net disposal of investment in asset management funds of RM8.3 million; and
- (ii) Repayment of amount owing from Startige amounting to RM6.0 million in FYE 2020.

(b) Liabilities

Our liabilities for the financial years under review comprise the following:

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Lease liabilities	980	871	597	392
Borrowings	8,809	8,061	4,055	13,331
Deferred tax liabilities	-	93	57	237
Total non-current liabilities	9,789	9,025	4,709	13,960

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Current liabilities				
Trade payables	4,725	5,521	11,768	20,184
Other payables	5,351	2,646	4,623	2,759
Contract liabilities	18,701	19,008	7,506	8,716
Amount due to an associate	-	-	208	-
Amount due to related parties	1	-	-	-
Amount due to Directors	128	119	500	-
Lease liabilities	442	560	606	261
Borrowings	7,005	13,536	15,667	13,718
Tax payable	839	1,367	1,941	1,339
Total current liabilities	37,192	42,757	42,819	46,977
TOTAL LIABILITIES	46,981	51,782	47,528	60,937

FYE 2018**Non-current liabilities**

Our non-current liabilities decreased by RM0.8 million or 8.2% mainly due to repayment of borrowings of RM0.8 million.

Current liabilities

Our current liabilities increased by RM5.6 million or 15.1% mainly due to the following:

- (i) Increase in borrowings of RM6.5 million mainly due to drawdown of bankers' acceptance for the purchase of input materials to support our increase in sales; and
- (ii) Increase in trade payables of RM0.8 million which is in line with the increase in inventories to cater to our increase in sales.

The increase in current liabilities was partially offset by decrease of RM2.7 million in other payables mainly due to:

- (i) Decrease in other payables by RM2.1 million as we had paid accrued Directors' fees during FYE 2018; and
- (ii) Settlement of GST payable of RM0.6 million.

FYE 2019**Non-current liabilities**

Our non-current liabilities decreased by RM4.3 million or 47.6% mainly due to reclassification of term loans drawn by our Group to finance the acquisition of Units 3A and 5 of Cubic Space Office to current liabilities (RM3.3 million) and repayment of term loans (RM1.0 million).

11. FINANCIAL INFORMATION (Cont'd)**Current liabilities**

Our current liabilities increased by RM0.1 million or 0.2% mainly due to the following:

- (i) Increase in trade payables of RM6.3 million mainly due to increase in purchases in the 4th quarter of FYE 2019 to support the implementation of projects in FYE 2020;
- (ii) Increase in other payables of RM2.0 million consisting stamp duty payable for Elmina Land (RM0.6 million), dividend payable (RM0.5 million) and increase in accrued expenses for staff costs (RM0.6 million) as well as for purchases of input materials (RM0.3 million); and
- (iii) Increase in borrowings of RM2.1 million mainly due to reclassification of term loans drawn by our Group to finance the acquisition of Units 3A and 5 of Cubic Space Office by Startige to current liabilities. The increase in borrowings was offset by the repayment of bankers' acceptances of RM1.4 million.

During the year, we recorded a decrease in contract liabilities of RM11.5 million mainly due to the sale of inventory to Bekal Hikmat after the discontinuation of the MySuria programme.

FYE 2020**Non-current liabilities**

Our non-current liabilities increased by RM9.3 million or 197.5% mainly due to drawdown of term loan amounting to RM13.3 million for the acquisition of Elmina Land.

The increase in non-current liabilities was offset by the repayment of term loan drawn for Units 3A and 5 of Cubic Space Office amounting to RM4.0 million.

Current liabilities

Our current liabilities increased by RM4.2 million or 9.8% mainly due to increase in trade payables of RM8.4 million which is in line with the increase in purchase of input materials in FYE 2020.

The increase in current liabilities was partially offset by:

- (i) Decrease in other payables by RM1.9 million mainly due to decrease in accrued expenses for staff costs in FYE 2020 by RM1.7 million; and
- (ii) Decrease in borrowings of RM1.9 million was mainly due to repayment of term loans for Units 3A and 5 of Cubic Space Office of RM4.0 million. The decrease in borrowings was offset by the drawdown of term loan for the acquisition of Elmina Land (RM0.4 million) and net drawdown of bankers' acceptances for purchase of input materials (RM1.8 million) to support the increase in our sales.

11.2.11 Recent developments

There are no significant events subsequent to our Group's audited financial statements for FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

We have been financing our operations through existing cash and bank balances, cash generated from our operations and external sources of funds. Our external sources of funds mainly comprise term loans, bank overdrafts, letter of credit and trade facilities such as bankers' acceptance as well as lease liabilities. As at 31 December 2020, we have:

- (i) cash and bank balances of RM15.1 million; and
- (ii) banking facilities (excluding lease liabilities) up to a limit of RM54.5 million, of which RM27.0 million has been utilised.

The interest rate of our borrowings is based on prevailing market rates. Currently, the principal use of our borrowings is for our Group's business growth and operations, for the acquisition of property, plant and equipment as well as for working capital purposes.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

Based on the pro forma combined statements of financial position of our Group as at 31 December 2020 (after the Acquisition of Pekat Teknologi but before the Public Issue), our NA position stood at RM63.9 million and our gearing level is 0.43 times. Our NA position and gearing level after the Acquisition of Pekat Teknologi and Public Issue (and utilisation of proceeds) are RM104.6 million and 0.17 times respectively.

As at the LPD, we have cash and bank balances of RM13.1 million and unutilised credit facilities of RM49.8 million. Our Board is confident that, after taking into account our gearing and cash flow position as well as the banking facilities currently available to our Group and that our operations were not materially affected throughout the period of MCO, conditional MCO and recovery MCO, our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus. Kindly refer to Section 6.7 for further details.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel works together closely with our sales and marketing staff for the collection of these outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

11. FINANCIAL INFORMATION (Cont'd)**11.3.2 Review of cash flows****(i) Cash flow summary**

The table below sets out the summary of our Group's historical audited combined statements of cash flows for FYEs 2017 to 2020.

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Net cash from/(used in) operating activities	7,215	(5,860)	13,630	4,045
Net cash from/(used in) investing activities	839	(194)	(11,142)	3,847
Net cash from/(used in) financing activities	95	1,200	(5,485)	(2,700)
Net increase/(decrease) in cash and cash equivalents	8,149	(4,854)	(2,997)	5,192

(ii) Commentary of cash flows**FYE 2017****Net cash from operating activities**

In FYE 2017, we recorded net operating cash from operating activities of RM7.2 million. We collected RM74.4 million from our customers which was offset by cash payments of RM64.5 million. Such cash payments were mainly due to:

- (i) RM47.2 million paid to trade suppliers and subcontractors;
- (ii) RM11.7 million paid for employees and Directors' remuneration; and
- (iii) RM5.6 million paid for operating expenses.

Net cash from investing activities

We recorded a net cash inflow of RM0.8 million from our investing activities in FYE 2017, mainly due to:

- (i) Disposal of 6 motor vehicles to Directors and an employee for RM0.5 million;
- (ii) Interest received from Startige in FYE 2017 of RM0.4 million; and
- (iii) Disposal of subsidiary/associated company and acquisition of subsidiary as a result of our internal reorganisation of RM0.6 million. Kindly refer to 11.2.4 for further details.

The cash inflow was offset by the purchase of motor vehicles amounting to RM0.5 million.

11. FINANCIAL INFORMATION (Cont'd)**Net cash from financing activities**

In FYE 2017, the net cash from financing activities amounted to RM0.1 million. During FYE 2017, we recorded net drawdown of bank bankers' acceptance of RM1.9 million utilised for our working capital. We had also drawn term loans of RM5.2 million used to finance the acquisition of Units 3A and 5 of Cubic Space Office by Startige. The cash inflow was offset by:

- (i) Net advances to Startige amounting to RM5.1 million;
- (ii) Interest payment of RM1.0 million mainly for bankers' acceptance and term loans; and
- (iii) Increase in fixed deposits pledged to financial institution of RM0.2 million.

FYE 2018**Net cash used in operating activities**

In FYE 2018, we recorded net operating cash outflow of RM5.9 million as compared to net operating cash inflow of RM7.2 million recorded in FYE 2017. We collected RM102.1 million from our customers which was offset by cash payments of RM104.7 million. Such cash payments were mainly due to:

- (i) RM86.2 million paid to trade suppliers and subcontractors;
- (ii) RM12.8 million paid for employees and Directors' remuneration; and
- (iii) RM5.7 million paid for operating expenses.

During FYE 2018, we recorded negative operating cash flow of RM5.9 million mainly due to the increase in contract assets by RM9.8 million from RM9.5 million as at 31 December 2017 to RM19.3 million as at 31 December 2018.

Contract assets arise when work is done for a project but we are not able to issue billing because the level of work done has not reached a billable milestone as stated in the project contract.

During FYE 2018, we secured 2 solar PV projects from MetTube Sdn Bhd and Metrod (Malaysia) Sdn Bhd with a combined contract value of RM18.3 million. These projects were carried out under the fixed lump sum plus variable periodic payments mode of operation where the contract fixed lump sum payable to us is equivalent to 80.0% of the contract sum stated in the Letter of Award while the remaining 20.0% of the contract sum is waived.

The sum payable by these 2 customers amount to RM14.6 million (being 80% of the contract value) and was paid based on the following stages:

- Stage 1: 30% upon issuance of Letter of Award (RM4.4 million); and
- Stage 2: 70% upon testing and commissioning of the solar PV power plant (RM10.2 million).

RM4.4 million under Stage 1 was billed and collected as installation works commenced during FYE 2018. As at 31 December 2018, a sizable portion of installation work was done but we were not able to issue the billing for Stage 2 as

11. FINANCIAL INFORMATION (Cont'd)

the project has not reached the completion of Stage 2. As such, work done but not billed is recorded under contract assets. Contract assets recorded under these 2 projects amounted to RM8.2 million as at 31 December 2018.

In FYE 2019, both projects were completed and final billing under Stage 2 was issued and collected. In order to prevent such situation for future financial years, all new project contracts issued subsequent to FYE 2018 comprised additional billable stages that match the level of work done. An example of the additional billable stages is set out below:

Stage 1: 30% upon issuance of Letter of Award;

Stage 2: 30% upon delivery of all materials;

Stage 3: 20% upon completion of installation of PV systems and power plants;

Stage 4: 18% upon testing and commissioning of the solar PV power; and

Stage 5: 2% upon approval from authorities.

Net cash used in investing activities

We recorded a net cash outflow of RM0.2 million from our investing activities in FYE 2018 as compared to net cash inflow of RM0.8 million recorded in FYE 2017. The net cash outflow in FYE 2018 was mainly due to:

- (i) Purchase of property, plant and equipment of RM0.5 million which comprises acquisition of an office unit in Klang, Selangor for investment purposes (RM0.2 million), office equipment (RM0.2 million) and motor vehicles (RM0.1 million), which was paid via internally generated funds; and
- (ii) Acquisition of 49.0% equity interest in Pekat Energy Sarawak, our associated company for RM0.4 million, which was funded via internally generated funds.

The cash outflow was offset by the interest received from Startige amounting to RM0.5 million and disposal of 2 passenger cars for RM0.1 million.

Net cash from financing activities

In FYE 2018, the net cash inflow in financing activities of RM1.2 million which represents an increase in RM1.1 million or 1,100.0% as compared to net cash inflow of RM0.1 million recorded in FYE 2017. The net cash inflow in FYE 2018 was mainly due to:

- (i) Net drawdown of bankers' acceptance of RM6.5 million; and
- (ii) Net repayment of advances from Startige of RM0.6 million.

The cash inflow in financing activities was offset by the following:

- (i) Increase in fixed deposits pledged to financial institution of RM2.6 million;
- (ii) Dividend declared in respect of FYE 2018 which was paid to shareholders of RM1.0 million;

11. FINANCIAL INFORMATION (Cont'd)

- (iii) Interest payment of RM1.0 million mainly for bankers' acceptance and term loans;
- (iv) Repayment of term loans of RM0.8 million; and
- (v) Repayment of lease liabilities of RM0.5 million.

FYE 2019**Net cash from operating activities**

In FYE 2019, we recorded net operating cash from operating activities of RM13.6 million as compared to net operating cash outflow of RM5.9 million recorded in FYE 2018. We collected RM107.5 million from our customers which was offset by cash payments of RM90.4 million. Such cash payments were mainly due to:

- (i) RM66.9 million paid to trade suppliers and subcontractors;
- (ii) RM16.2 million paid for employees and Directors' remuneration; and
- (iii) RM7.2 million paid for operating expenses.

During FYE 2019, we recorded net operating cash flow of RM13.6 million mainly due to increase in trade payables of RM6.3 million attributable to the increase in purchases in the 4th quarter of FYE 2019 to support the implementation of projects in FYE 2020 as well as increase in other payables of RM2.0 million consisting stamp duty payable for Elmina Land (RM0.6 million), dividend payable (RM0.5 million) and increase in accrued expenses for staff costs (RM0.6 million) as well as for purchases of input materials (RM0.3 million).

In addition, we recorded a decrease in contract asset by RM4.6 million in FYE 2019 as compared to an increase in contract asset by RM9.8 million in FYE 2018, as a result of increase in additional billable stages to match the level of work done as stated above.

Net cash used in investing activities

We recorded a net cash outflow of RM11.1 million from our investing activities in FYE 2019, which represents increase in RM10.9 million or 545.0% from net cash outflow of RM0.2 million recorded in FYE 2018. The net cash outflow in FYE 2019 was mainly due to:

- (i) Investments of RM9.4 million in asset management funds; and
- (ii) Acquisition of intangible assets of RM0.9 million comprising an accounting system by Pekat Teknologi and development of energy management system by Pnexsoft.

Net cash used in financing activities

In FYE 2019, the cash outflow in financing activities of RM5.5 million as compared to cash inflow of RM1.2 million. The cash outflow in FYE 2019 was mainly due to:

- (i) Dividend declared in respect of FYE 2019 which was paid to shareholders of RM0.8 million;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) Net repayment of bankers' acceptance of RM1.4 million;
- (iii) Repayment of term loans and lease liabilities of a total of RM1.4 million;
- (iv) Interest payment of RM1.0 million mainly for bankers' acceptance and term loans; and
- (v) Net advances to Startige amounting to RM0.5 million. As at LPD, all amount owing by Startige to our Group has been repaid. Kindly refer to Section 9.1.1(ii) for further details.

FYE 2020**Net cash from operating activities**

In FYE 2020, we recorded net operating cash from operating activities of RM4.0 million as compared to net operating cash inflow of RM13.6 million recorded in FYE 2019. We collected RM110.9 million from our customers which was offset by cash payments of RM101.7 million. Such cash payments were mainly due to:

- (i) RM81.7 million paid to trade suppliers and subcontractors;
- (ii) RM14.1 million paid for employees and Directors' remuneration; and
- (iii) RM5.9 million paid for operating expenses.

We also recorded an increase in contract assets mainly due to contract assets recorded for 3 solar PV projects from Projek Lebuhraya Usahasama Bhd, ENGIE Services Sdn Bhd and MFP Solar (totalling RM7.1 million) and 2 ELP projects from Sunway Construction Sdn Bhd and Wah Loon (M) Sdn Bhd (totalling RM1.7 million).

Net cash from investing activities

We recorded a net cash inflow of RM3.8 million from our investing activities in FYE 2020 as compared to net cash outflow of RM11.1 million recorded in FYE 2019. The net cash inflow in FYE 2020 was mainly due to net disposal of investment in asset management funds of RM8.3 million.

The net cash inflow was offset by the increase in property, plant and equipment of RM4.8 million which mainly due to deposit paid for Elmina Land (RM3.4 million), stamp duty paid for the acquisition of Elmina Land (RM0.7 million), purchase of office equipment (RM0.4 million) and purchase of 1 unit of roll forming machine (RM0.3 million). We utilise the roll forming machine to form support structures for installation of solar PV panels. Prior to this, we purchase ready-made support structure from third party manufacturers.

Net cash used in financing activities

In FYE 2020, we recorded cash outflow in financing activities of RM2.7 million as compared to cash outflow of RM5.5 million in FYE 2019. The cash outflow in FYE 2020 was mainly due to:

- (i) Advances to an associate, MFP Solar of RM1.1 million for working capital purposes;
- (ii) Dividends paid to shareholders of RM1.0 million during FYE 2020;
- (iii) Increase in fixed deposits pledged to financial institution of RM3.4 million; and

11. FINANCIAL INFORMATION (Cont'd)

- (iv) Net repayment of term loans (RM7.9 million) and repayment of lease liabilities (RM0.4 million).

The cash outflow in financing activities was offset by the following:

- (i) Receipt of amount owing from Startige amounting to RM10.2 million; and
(ii) Net drawdown of bankers' acceptance of RM1.8 million.

11.4 BORROWINGS

Our total outstanding bank borrowings as at 31 December 2020 stood at RM27.7 million, details of which are set out below. All our bank borrowings are interest-bearing and denominated in RM.

		Purpose	Tenure	Interest rate % per annum	As at 31 December 2020 RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Bankers' acceptances		Working capital	1 - 6 months	3.51 – 7.07	13,225
Term loans		To finance the acquisition of Elmina Land	239 months	3.37 – 5.72	493
Lease liabilities		Purchase of motor vehicles	1 – 53 months	4.18 – 6.82	261
Sub-total					13,979
Interest bearing long-term borrowings, payable after 1 year:					
Term loans		To finance the acquisition of Elmina Land	239 months	3.37 – 5.72	13,331
Lease liabilities		Purchase of motor vehicles	1 – 53 months	4.18 – 6.82	392
Sub-total					13,723
Total borrowings					27,702

Pro forma gearing (times)

After Acquisition of Pekat Teknologi before the Public Issue ⁽¹⁾	0.43
After the Public Issue and utilisation of proceeds ⁽²⁾	0.17

Notes:

- (1) Computed based on the pro forma combined statements of financial position after the Acquisition of Pekat Teknologi before the Public Issue.
(2) Computed based on the pro forma combined statements of financial position after the Acquisition of Pekat Teknologi and Public Issue and utilisation of proceeds.

11. FINANCIAL INFORMATION (Cont'd)

Our pro forma gearing ratio is expected to decrease from 0.43 times (before the Public Issue) to 0.26 times (after the Public Issue) due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue. Thereafter, the gearing ratio will increase to 0.17 times (after utilisation of proceeds) as we intend to utilise RM10.0 million from our IPO proceeds to repay bank borrowings drawn for the acquisition of the Elmina Land.

Our bank borrowings carry the following interest rates for the FYEs 2017 to 2020:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	% per annum			
Bankers' acceptances	4.71 – 8.10	4.87 – 6.17	4.87 – 6.17	3.51 – 7.07
Term loans	5.10 – 8.20	5.12 – 8.20	5.08 – 8.20	3.37 – 5.72
Lease liabilities	4.18 – 6.55	2.66 – 6.82	2.20 – 6.82	4.18 – 6.82
Bank overdrafts	-	-	7.82 – 7.89	-

The following table sets out the maturities of our borrowings and lease liabilities:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000			
Bank borrowings				
Within the next 12 months	7,005	13,536	15,667	13,718
After the next 12 months	8,809	8,061	4,055	13,331
Lease liabilities				
Within the next 12 months	442	560	606	261
After the next 12 months	980	871	597	392

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the FYEs 2017 to 2020 as well as the subsequent financial period up to LPD.

As at the LPD, neither our Group nor our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYEs 2017 to 2020, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for our bank borrowings as disclosed in Section 11.4 and forward currency contracts as disclosed in Section 11.10.1, we do not utilise any other financial instruments.

We finance our operations mainly through cash generated from our operations, as well as external sources of funds which mainly comprise bank borrowings. Our bank borrowings as at 31 December 2020 are based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

11. FINANCIAL INFORMATION (Cont'd)

The principal usages of these banking facilities are for working capital and purchase of input materials and purchase of property, plant and equipment.

11.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY**11.6.1 Material capital commitments**

As at the LPD, our Group does not have any material capital commitment.

11.6.2 Material litigation

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there are no proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

11.6.3 Contingent liability

Save as disclosed below, there are no other contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary as at the LPD:

- (i) As at the LPD, we hold a minority equity interest amounting to 45.0% in MFP Solar. MFP Solar obtains bank financing to finance its solar PV power plant projects and as a minority shareholder, we are required to provide a corporate guarantee in proportion of our equity interest in MFP Solar. As at the LPD, MFP Solar has drawn bank borrowings amounting to RM16.3 million. We have provided a corporate guarantee amounting to RM7.3 million, which was proportionate to our 45.0% equity interest in MFP Solar for bank financing drawn.

11.7 KEY FINANCIAL RATIOS

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

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Trade receivable turnover (days) ⁽¹⁾	60	43	53	64
Trade payable turnover (days) ⁽²⁾	44	22	43	66
Inventory turnover (days) ⁽³⁾	68	42	55	46
Current ratio (times) ⁽⁴⁾	1.7	1.8	2.1	2.2
Gearing ratio (times) ⁽⁵⁾	0.6	0.6	0.4	0.4

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Computed based on the average trade receivables (excluding allowance for impairment loss and retention sum) over revenue multiplied by 365 days:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	11,896	12,211	16,366	18,578
Closing trade receivables	12,211	16,366	18,578	26,113
(excluding retention sum and allowance for impairment loss)				
Revenue	72,830	120,129	119,521	125,562
Average trade receivables turnover period (days)	60	43	53	64

- (2) Computed based on the average trade payables over cost of sales multiplied by 365 days:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	5,592	4,725	5,521	11,768
Closing trade payables	4,725	5,521	11,768	20,184
Cost of sales	42,145	84,436	73,127	87,440
Average trade payable turnover period (days)	44	22	43	66

- (3) Computed based on the average inventories over cost of sales multiplied by 365 days:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening inventories	6,894	8,909	10,971	11,406
Closing inventories	8,909	10,971	11,406	11,019
Cost of sales	42,145	84,436	73,127	87,440
Inventory turnover period (days)	68	42	55	46

- (4) Computed based on current assets over current liabilities as at year end for each of the FYEs 2017 to 2020.

- (5) Computed based on the total interest bearing debt (including lease liabilities) over total equity as at year end for each of the FYEs 2017 to 2020.

11. FINANCIAL INFORMATION (Cont'd)

11.7.1 Trade receivables turnover

The ageing analysis of our trade receivables as at 31 December 2020 is as follows:

	Trade receivables as at 31 December 2020		Amount collected subsequent to 31 December 2020 up to the LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables (a) / total of (a)	RM'000	Percentage collected (b) / total of (b)	RM'000	Percentage of trade receivables net of subsequent collections (c) / total of (c)
Neither past due nor impaired	7,102	24.3%	5,268	27.8%	1,834	17.9%
Past due but not impaired:						
• 1 to 30 days	12,382	42.5%	10,206	53.9%	2,176	21.3%
• 31 to 60 days	3,357	11.5%	900	4.8%	2,457	24.0%
• 61 to 90 days	2,012	6.9%	1,663	8.8%	349	3.4%
• More than 90 days	3,207	11.0%	896	4.7%	2,311	22.6%
	20,958	71.9%	13,665	72.2%	7,293	71.3%
Allowances for impairment losses	⁽¹⁾ (1,947)	(6.7%)	-	-	(1,947)	(19.0%)
Trade receivables (excluding retention sum and allowance for impairment loss)	26,113	89.5%	18,933	100.0%	7,180	70.2%
Retention sum	⁽²⁾ 4,742	16.3%	-	-	4,742	46.3%
Retention sum impaired	⁽¹⁾ (1,688)	(5.8%)	-	-	(1,688)	(16.5%)
Total	29,167	100.0%	18,933	100.0%	10,234	100.0%

11. FINANCIAL INFORMATION

Notes:

- (1) We recorded an allowance for impairment loss for trade receivables of RM1.9 million and impairment on retention sum of RM1.7 million in FYE 2020.
- (i) Impairment loss for retention sum under ELP Division of RM1.7 million for 139 ELP projects where the defect liability period has passed but no final certificate of making good defects was issued by the main contractor. Certificate of making good defects is issued at the end of the defect liability period and thereafter, all retention sums are released. Efforts by us to recover these sum include issuing reminder letters and demand letters; and
 - (ii) Impairment loss on trade receivables are provided for trade receivables which are past due and no subsequent collection were received, as follows:
 - (a) Solar Division of RM0.4 million, due the amount owing by 5 customers;
 - (b) ELP Division of RM0.7 million for 14 ELP customers; and
 - (c) Trading Division of RM0.2 million for 10 customers.

We have issued reminder letters and demand letters to recover these amounts.
- (2) Includes retention sum under ELP Division of RM0.8 million for 38 ELP projects where defect liability period has passed but no impairment was made. We believe that this sum is recoverable as we have been receiving payments from these customers. Therefore, no impairment was made for this retention sum.

Our normal trade terms are cash term and credit terms as follows:

- (i) Solar Division - 30 days;
- (ii) ELP Division - 30 days to 60 days; and
- (iii) Trading Division - 30 days to 120 days.

Our credit terms to customers are assessed and approved on a case-to-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, transaction volume, financial background, market reputation as well as the reason for the customers' inability to pay within the normal credit period. We use ageing analysis to monitor the credit quality of our trade receivables.

Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain.

Our average trade receivables turnover period as at FYE 2017, FYE 2018, FYE 2019 and FYE 2020 were 60 days, 43 days, 53 days and 64 days.

The trade receivables turnover period in FYE 2017 was higher due to the higher revenue contribution from ELP Division (45.5%) and Trading Division (34.0%), which has a higher credit term of up to 60 days and 120 days, respectively. Solar Division, which contributed 20.5% of revenue has a credit term of 30 days.

11. FINANCIAL INFORMATION (Cont'd)

Trade receivables turnover period decreased from approximately 60 days in FYE 2017 to approximately 43 days in FYE 2018, due to the increase in revenue contribution from our Solar Division of 45.6%. As the credit term for Solar Division is 30 days, our average trade receivables turnover period decreased.

Trade receivables turnover period increased from approximately 43 days in FYE 2018 to approximately 53 days in FYE 2019 due to the amount owing by Firstex as at 31 December 2019 of RM2.0 million. As at the LPD, we received payment of RM1.8 million and the balance shall be paid via monthly instalments up till June 2022 as per a revised payment schedule.

Trade receivables turnover period increased from approximately 53 days in FYE 2019 to approximately 64 days in FYE 2020 mainly due to increase in amount due from Hong Seng Assembly Sdn Bhd of RM5.0 million (FYE 2019: RM0.8 million) and UTeM Holdings Sdn Bhd of RM3.4 million (FYE 2019: nil). Subsequent to FYE 2020, Hong Seng Assembly Sdn Bhd has fully repaid the amount outstanding. The solar PV project that we are implementing for UTeM Holdings Sdn Bhd is currently undergoing rectification works and the outstanding amount shall be paid upon full completion of the project. As at the LPD, the amount due from UTeM Holdings Sdn Bhd is still outstanding. The full amount due from UTeM Holdings Sdn Bhd for this solar PV project is expected to be received during June 2021, being 1 month after the expected completion of the solar PV project in May 2021.

Our Group has not encountered any major disputes with our debtors. We have made allowance for impairment loss in respect of our doubtful debts.

As at the LPD, RM7.2 million of outstanding trade receivables (excluding retention sum and allowance for impairment loss) as at 31 December 2020 has yet to be collected, including RM5.3 million which is past due but not impaired as we have been receiving continuing subsequent payments from these customers and our management is confident that this amount is collectible.

11.7.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 December 2020 is as follows:

	Exceeding credit period					Total
	Within credit term	1 to 30 days past due	31 to 60 days past due	61 - 90 days past due	More than 90 days past due	
Trade payables (RM'000)	12,731	4,520	1,778	394	761	20,184
% of total trade payables (%)	63.1	22.4	8.8	1.9	3.8	100.0
Subsequent payments up to the LPD (RM'000)	11,555	4,336	1,778	392	585	18,646
Trade payables net of subsequent payments (RM'000)	1,176	184	-	2	176	1,538
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	76.5	12.0	-	0.1	11.4	100.0
Turnover period (Days)	-	-	-	-	-	66

The normal credit terms granted to our Group by our suppliers ranged from 30 to 90 days from the date of invoice.

11. FINANCIAL INFORMATION (Cont'd)

Our trade payables turnover days from FYE 2017 to FYE 2019 ranged between 22 days and 44 days, within the credit period given. Trade payable turnover days in FYE 2018 fell to 22 days from 44 days in FYE 2017 mainly due to a surge in import of solar PV modules and inverters for our Solar Division which is financed via bankers' acceptances.

Subsequently, we were able to negotiate and secured credit terms from our overseas solar PV module and inverter suppliers in FYE 2019. Hence, we reduced the usage of bankers' acceptance and increase the use of credit terms granted by suppliers which resulted in higher trade payable turnover of 43 days in FYE 2019.

The trade payable turnover period increase from 43 days in FYE 2019 to 66 days in FYE 2020 as we further reduced the usage of bankers' acceptance and increase the use of credit terms by suppliers.

As at the LPD, 92.4% of our trade payables has been paid. The remaining amount payable of RM0.4 million (which was past due) was not paid as the suppliers are carrying out rectification works. The amount will be paid upon the completion of the rectification works.

11.7.3 Inventories

The table below sets out a summary of our Group's inventories for the financial years under review:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Opening inventories	6,894	8,909	10,971	11,406
Closing inventories	8,909	10,971	11,406	11,019
Cost of sales	42,145	84,436	73,127	87,440
Average inventory turnover period (days)	68	42	55	46

Our Group practices weighted average basis in computing the cost of inventories in the preparation of our accounting report. The costs are generally computed based on the weighted average cost of the inventories and includes value of goods purchased and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

We maintain a stock level for up to 3 months. A monthly management meeting is conducted to review the stockholding level and inventory ageing analysis. Approval is required from authorised personnel at management level for replenishment of stocks and impairment on slow moving stocks.

We assess whether inventories should be impaired by identifying slow moving inventories during periodic stock count, obsolete inventories will be written down to their net realisable value while damaged/stolen inventories will be written off.

11. FINANCIAL INFORMATION (Cont'd)

Our impairment on slow moving stocks, written down of inventories and written off of inventories for the past 4 FYEs are as follows:

	Audited			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Impairment on slow moving stocks ⁽¹⁾	218	-	415	-
Written down of inventories ⁽²⁾	47	7	-	-
Written off of inventories ⁽³⁾	-	-	82	-

Notes:

(1) FYE 2017

Comprising exothermic welding systems (RM0.1 million), solar PV inverters (RM0.1 million) and aviation warning light systems (RM0.02 million).

FYE 2019

Comprising ELP products and accessories such as cables and surge protection devices (RM0.38 million) and solar PV inverters and monitoring systems (RM0.04 million).

These products were identified as slow moving products as it has not been sold for more than 3 years.

(2) Comprising solar PV modules, surge protection devices and aviation warning light systems (FYE 2017) and solar PV accessories (FYE 2018) which were obsolete and hence written down to its net realisable value.

(3) Comprising cables and ELP accessories which were stolen and written off. We have successfully claimed our insurance for this sum.

For the past 4 FYEs, our average inventory turnover period ranged from 42 days to 68 days.

Our inventory turnover period fell from 68 days in FYE 2017 to 42 days in FYE 2018 due to the surge in revenue for our Solar Division which has shorter project implementation duration, where the project implementation for Solar Division is between 3 months to 18 months as compared to ELP Division, where the project implementation for ELP Division is between 12 months to 36 months.

In FYE 2019, we recorded a decrease in cost of sales resulting from decrease in cost of solar PV modules by approximately 20.0% due to the lower selling prices offered by our solar PV modules suppliers, in line with the decrease in prices of solar PV modules globally. During FYE 2019, the price of solar PV modules had reduced from RM1,250/kWp in FYE 2018 to RM1,100/kWp in 2019. In addition, we had increased the purchase of inventory towards the end of FYE 2019 in anticipation of higher sales during FYE 2020. This has resulted in an increase of our inventory turnover period to 55 days.

Our inventory turnover period decreased from 55 days in FYE 2019 to 46 days in FYE 2020 due to the surge in revenue for our Solar Division which has shorter project implementation duration of between 3 months to 18 months as compared to ELP Division of between 12 months to 36 months.

11. FINANCIAL INFORMATION (Cont'd)**11.7.4 Current ratio**

Our current ratio, current assets and current liabilities for the financial years under review are as follows:

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Current assets	64,040	78,230	89,297	101,704
(Current liabilities)	(37,192)	(42,757)	(42,819)	(46,977)
Net current assets	26,848	35,473	46,478	54,727
Current ratio (times)	1.7	1.8	2.1	2.2

Our current ratio ranged from 1.7 times to 2.2 times for the financial years under review, indicating that our Group is capable of meeting our current obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

Our current ratio increased from 1.7 times as at 31 December 2017 to 1.8 times as at 31 December 2018 to 2.1 times as at 31 December 2019 due to increase in our current assets arising from our business growth where we recorded PAT of RM14.9 million during FYE 2019 which represents an increase in PAT of 34.9% as compared to FYE 2018. Resulting from the increase in PAT, our cash equivalent comprising investment in asset management funds, fixed deposits with licenced banks as well as cash and bank balances had increased to RM25.4 million thereby improving our current assets. Our current ratio further increased to 2.2 times as at 31 December 2020 due to increase in our current assets arising from our business growth where we recorded PAT of RM13.6 million in FYE 2020.

11.7.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	As at 31 December			
	2017	2018	2019	2020
	RM'000	RM'000	RM'000	RM'000
Total borrowings (including lease liabilities)	17,236	23,028	20,925	27,702
Total equity	27,188	37,269	50,801	63,876
Gearing ratio (times)	0.6	0.6	0.4	0.4

Our Group's gearing ratio ranged from 0.4 times to 0.6 times for the FYEs under review. Our gearing ratio improved from 0.6 times as at 31 December 2018 to 0.4 times as at 31 December 2019 due to the increase in total equity arising from PAT recorded in FYE 2019. Our gearing ratio remains consistent at 0.4 times as at 31 December 2020 as compared to 31 December 2019.

11. FINANCIAL INFORMATION (Cont'd)**11.8 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 is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8.

11.9 IMPACT OF INFLATION

The Board is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance insofar as we are unable to pass on the higher costs to our customers through increase in selling prices.

11.10 IMPACT OF FOREIGN EXCHANGE RATES AND/OR INTEREST RATES**11.10.1 Impact of foreign exchange rates**

For the past 4 FYEs 2017 to 2020, we are exposed to transactional currency exposure as a substantial amount of our input materials purchased are denominated in foreign currencies, such as USD. The following is our Group's breakdown of purchases between RM and other currencies made during the 4 FYEs:

	Audited							
	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases in:								
RM	28,100	67.9	43,556	53.7	27,696	41.8	38,731	48.3
USD	11,324	27.3	35,136	43.3	36,751	55.5	37,920	47.3
Others ^	1,972	4.8	2,410	3.0	1,756	2.7	3,542	4.4
Total purchases	41,396	100.0	81,102	100.0	66,203	100.0	80,193	100.0

Note:

^ Comprising RMB, Euro and CHF.

Our Group's GP margin is therefore directly affected by the foreign currencies exchange rate fluctuation. In the event that we are unable to pass the increase in cost to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher cost of input materials.

For the past 4 FYEs 2017 to 2020, our gain and losses from the foreign exchange fluctuations are as follows:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Realised foreign exchange gain/(loss) ⁽¹⁾	192	144	(142)	(21)
Unrealised foreign exchange gain/(loss) ⁽²⁾	38	8	137	(66)
Net gain/(loss)	230	152	(5)	(87)

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Realised foreign exchange gain/(loss) represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the payment for the invoice is received.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the payment for the invoice is received, we will record a realised foreign exchange loss. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the payment for the invoice is received, we will record a realised foreign exchange gain.

- (2) Unrealised foreign exchange gain/(loss) represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange spot rates as at respective FYE.

In addition to the above, we had entered into forward currency contracts to hedge our exposure against fluctuations in foreign currency for the purchases of input materials. The forward currency contracts entered into as at 31 December 2017, 2018, 2019 and 2020 are as follows:

	FYE 2017		FYE 2018			FYE 2019	
	USD'000	RM'000	USD'000	RMB'000	RM'000	USD'000	RM'000
USD / RMB denominated forward contracts	296	1,224	300	79	1,306	-	-
	FYE 2020						
	USD'000	RM'000					
USD / RMB denominated forward contracts	-	-					

The fair value gain/(loss) from the fluctuations in foreign exchange from the forward contracts that we entered into is immaterial and as such, was not recorded in our financial statements.

11.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its profit before interest and tax. The interest coverage ratio for the financial years under review is as follows:

	Audited			
	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
Total borrowings (including lease liabilities)	17,236	23,028	20,925	27,702
EBIT	12,407	15,675	19,815	18,890
Finance costs	1,031	1,154	1,034	887
Interest coverage ratio (times) ⁽¹⁾	12.0	13.6	19.2	21.3

11. FINANCIAL INFORMATION (Cont'd)

Note:

(1) Computed based on EBIT over finance costs.

Our interest coverage ratio of between 12.0 to 21.3 times for the FYEs 2017 to 2020 indicates that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations.

Our Group's financial results for the financial years under review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of borrowings and our finance costs for our working capital, which may have an adverse effect on the performance of our Group.

11.11 ORDER BOOK

As at the LPD, we have secured total order book amounting to RM198.9 million. RM44.0 million of the secured total order book has been billed as at the LPD and RM154.9 million has not been billed.

	Total order book as at the LPD RM'000	Billed as at the LPD RM'000	Unbilled amount as at the LPD RM'000
<u>Solar Division</u>			
Design, supply and installation for:			
- Commercial	21,928	4,348	17,580
- Industrial	99,358	27,032	72,326
- Residential	1,221	204	1,017
- Others	2,002	85	1,917
Operations and maintenance	111	111	-
<u>ELP Division</u>			
Commercial	18,391	3,281	15,110
Mixed development	21,399	2,514	18,885
Infrastructure	32,923	5,586	27,337
Industrial	1,331	808	523
Others	226	-	226
	198,890	43,969	⁽¹⁾ 154,921

Note:

(1) RM117.2 million is expected to be billed for the financial year ending 31 December 2021. RM24.8 million and RM11.5 million is expected to be billed for the financial years ending 31 December 2022 and 2023, respectively. The remaining RM1.4 million is expected to be billed subsequent to 2023.

In addition to the above, purchase orders as at the LPD for our Trading Division amounts to RM12.4 million.

11. FINANCIAL INFORMATION (Cont'd)

11.12 TREND INFORMATION

Based on our track record for the past years under review, including our segmental analysis of revenue and profitability, the following trends are expected to continue:

- (i) More than 60% of our revenue was derived from implementing projects under our Solar Division and ELP Division. We expect project based revenue to continue contributing significantly to our revenue in the future;
- (ii) All of our revenue is derived locally. We expect this trend to continue;
- (iii) The main components of our cost of sales are input materials and subcontractor costs which consistently constitute more than 70% and 10% of our total cost of sales, respectively. We expect this trend to continue; and
- (iv) We achieved a GP margin of between 29.7% to 42.1% for the past 4 FYEs. Moving forward, our GP margin would depend on the level of competition and our continued ability to manage our costs efficiently and price our services/products competitively.

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

- (a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 11.2 and 11.10;
- (b) Material commitments for capital expenditure;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 11.2 and 11.10;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 11.2 and 11.10; and
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 11.2 and 11.10.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths set out in Section 6.8 and our Group's intention to implement the business strategies as set out in Section 6.19.

11.13 DIVIDENDS

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from the financiers of our Group as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash

11. FINANCIAL INFORMATION (Cont'd)

dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

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

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

In respect of FYEs 2017 to 2020, dividends declared by our subsidiary, Pekat Teknologi were as follows:

	FYE 2017	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000	RM'000
Dividends declared	-	1,018	1,274	500

Notes:

FYE 2018

RM1.0 million was declared and paid on 5 September 2018. The dividends paid of RM1.0 million represent 9.2% of our PAT attributable to owners of the Company.

FYE 2019

- RM0.5 million was declared on 21 May 2019 and paid on 23 May 2019;
- RM0.3 million was declared on 4 November 2019 and paid on 11 November 2019; and
- RM0.5 million was declared on 31 December 2019 and paid on 13 January 2020.

The total dividends paid of RM1.3 million represent 8.6% of our PAT attributable to owners of the Company.

FYE 2020

RM0.5 million was declared on 16 March 2020 and paid on 18 March 2020. The dividends paid of RM0.5 million represent 3.7% of our PAT attributable to owners of the Company.

The dividends paid are funded via internally generated funds. Our Board do not foresee that dividends paid would affect the execution and implementation of our future plans or strategies moving forward.

11. FINANCIAL INFORMATION (Cont'd)**11.14 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness as at 3 April 2021 and after adjusting for the effects of the Acquisition of Pekat Teknologi and Public Issue including the utilisation of proceeds from the Public Issue.

	Pekat	I	II	III
	As at 3 April 2021	After Acquisition of Pekat Teknologi	After I and Public Issue	After II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Capitalisation				
Shareholders' equity	(38)	68,133	112,507	108,807
Total capitalisation	(38)	68,133	112,507	108,807
Indebtedness ⁽¹⁾				
Current				
Lease liabilities	-	210	210	210
Bankers' acceptance	-	13,146	13,146	13,146
Term loans	-	595	595	595
Non-current	-			
Lease liabilities	-	295	295	295
Term loans	-	13,177	13,177	3,177
Total indebtedness	-	27,423	27,423	17,423
Total capitalisation and indebtedness	(38)	95,556	139,930	126,230
Gearing ratio (times) ⁽²⁾	-	0.40	0.24	0.16

Notes:

(1) All of our indebtedness are secured and guaranteed.

(2) Calculated based on the total indebtedness divided by the total capitalisation.

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12. ACCOUNTANTS' REPORT

PEKAT GROUP BERHAD
(Registration No: 201901011563 (1320891-U))
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT
FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2020, 2019, 2018 AND 2017

GRANT THORNTON MALAYSIA PLT

CHARTERED ACCOUNTANTS

Member of Grant Thornton International Ltd

12. ACCOUNTANTS' REPORT (Cont'd)

Date: 3 May 2021

The Board of Directors
Pekat Group Berhad
 3A, 5 & 6 Teknologi Kubik
 No. 6, Jalan Teknologi 3/4
 Taman Sains Selangor 1
 Kota Damansara
 47810 Petaling Jaya
 Selangor Darul Ehsan

Dear Sirs,

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

T +603 2692 4022

F +603 2691 5229

Reporting Accountants' Opinion On The Financial Information Contained In The Accountants' Report of Pekat Group Berhad ("the combining entities" or "Pekat Group")

Opinion

We have audited the accompanying combined financial statements ("Financial Information") of Pekat Group Berhad ("the Company") and of its subsidiaries (collectively known as "the combining entities" or "Pekat Group") which comprises the combined statement of financial position of the combining entities as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, and the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the combining entities for the financial years ended 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 92. This historical Financial Information has been prepared for inclusion in the prospectus for Pekat Group.

In our opinion, the accompanying Financial Information give a true and fair view of the combined financial position of the combining entities as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017, and of their combined financial performance and combined cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and Paragraph 10.05 of Chapter 10, Part II Division 1, Equity of the Prospectus Guidelines as issued by the Securities Commission.

Basis for Opinion

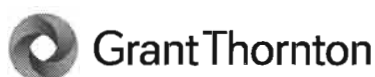
We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and Other Ethical Responsibilities

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

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Audit | Tax | Advisory

12. ACCOUNTANTS' REPORT (Cont'd)*Responsibilities of the Directors for the Financial Information*

The Directors of the combining entities are responsible for the preparation of the Financial Information of the combining entities that give a true and fair view in accordance with the MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Information of the combining entities that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Information of the combining entities, the Directors are responsible for assessing the combining entities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the combining entities or cease operations, or have no realistic alternative but to do so.

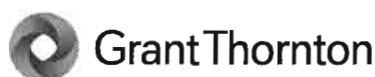
Reporting Accountants' Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the Financial Information of the combining entities as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Information.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the Financial Information of the combining entities, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the combining entities' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the combining entities' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the combining entities or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the combining entities to cease to continue as a going concern.

12. ACCOUNTANTS' REPORT (Cont'd)



Reporting Accountants' Responsibilities for the Audit of the Financial Information (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):-

- Evaluate the overall presentation, structure and content of the Financial Information of the combining entities, including the disclosures, and whether the Financial Information of the combining entities represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the Financial Information of the entities or business activities within the combining entities to express an opinion on the Financial Information of the combining entities. We are responsible for the direction, supervision and performance of the combining entities audit. We remain solely responsible for our audit opinion.

We have communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

Other Reporting Responsibility

In accordance with Paragraph 10.05 of Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission, we report that the significant subsequent events identified by the combining entities since 31 December 2020, the reporting date of the most recent audited Financial Information to the date of this report, are as disclosed in Note 41 to the Financial Information.

Restriction on Distribution and Use

This report is made solely to the Company and for inclusion in the prospectus of Pekat Group to be issued in relation to the proposed listing of and quotation for the entire enlarged issued share capital of Pekat Group on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

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

Kuala Lumpur
3 May 2021

OOI POH LIM
(NO: 03087/10/2021 J)
CHARTERED ACCOUNTANT
PARTNER

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	20,072,877	2,414,583	2,040,632	1,958,001
Intangible assets	5	640,408	786,968	-	-
Investment in associates	6	2,149,479	1,411,647	388,780	-
Other investments	7	-	-	47,546	-
Trade receivables	9	245,953	406,543	733,242	-
Amount due from related parties	13	-	4,013,118	7,610,849	8,170,633
Total non-current assets		23,108,717	9,032,859	10,821,049	10,128,634
Current assets					
Other investments	7	1,158,588	9,507,538	-	-
Inventories	8	11,018,942	11,406,167	10,970,866	8,908,556
Trade receivables	9	28,920,735	23,461,874	22,821,016	18,421,092
Other receivables	10	3,183,179	3,127,943	2,293,865	3,207,067
Contract assets	11	23,970,695	14,760,753	19,342,858	9,549,544
Amount due from associates	12	9,240,536	4,911,737	1,803,756	399,717
Amount due from related parties	13	-	6,213,801	2,086,681	2,177,644
Tax recoverable		-	10,838	466,227	663,196
Fixed deposits with licensed banks	14	9,135,078	7,661,134	10,497,302	6,882,228
Cash and bank balances		15,076,049	8,234,644	7,946,584	13,831,111
Total current assets		101,703,802	89,296,429	78,229,155	64,040,155
TOTAL ASSETS		124,812,519	98,329,288	89,050,204	74,168,789
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the combining entities:-					
Share capital	15	550,040	550,040	550,020	550,020
Retained earnings		63,255,619	50,179,447	36,762,395	26,683,497
		63,805,659	50,729,487	37,312,415	27,233,517
Non-controlling interests ("NCI")	16(b)	70,097	72,035	(43,066)	(45,113)
TOTAL EQUITY		63,875,756	50,801,522	37,269,349	27,188,404
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	391,984	596,884	870,679	979,960
Borrowings	18	13,330,885	4,055,466	8,060,700	8,808,501
Deferred tax liabilities	19	237,000	57,000	93,000	-
Total non-current liabilities		13,959,869	4,709,350	9,024,379	9,788,461
Current liabilities					
Trade payables	20	20,184,381	11,768,025	5,520,700	4,725,098
Other payables	21	2,758,656	4,622,992	2,645,843	5,350,789
Contract liabilities	11	8,716,278	7,505,558	19,007,966	18,700,545
Amount due to an associate	12	-	207,855	-	-
Amount due to related parties	13	-	-	-	1,000
Amount due to Directors	22	-	500,000	118,614	127,598
Lease liabilities	17	260,795	605,966	560,013	442,006
Borrowings	18	13,718,231	15,667,346	13,536,379	7,005,458
Tax payable		1,338,553	1,940,674	1,366,961	839,430
Total current liabilities		46,976,894	42,818,416	42,756,476	37,191,924
TOTAL LIABILITIES		60,936,763	47,527,766	51,780,855	46,980,385
TOTAL EQUITY AND LIABILITIES		124,812,519	98,329,288	89,050,204	74,168,789

The accompanying notes form an integral part of the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31
DECEMBER 2018 AND 31 DECEMBER 2017**

	Note	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM
Revenue	23	125,561,856	119,520,675	120,128,660	72,829,763
Cost of sales		(87,439,495)	(73,127,114)	(84,435,411)	(42,144,809)
Gross profit		38,122,361	46,393,561	35,693,249	30,684,954
Other income	24	1,685,190	1,735,113	566,757	1,722,771
Administrative expenses		(20,738,178)	(24,537,333)	(19,393,698)	(18,912,548)
Other expenses	25	(916,967)	(4,345,038)	(1,212,323)	(1,031,042)
Operating profit		18,152,406	19,246,303	15,653,985	12,464,135
Finance income	26	380,137	893,812	823,191	716,629
Finance costs	27	(887,474)	(1,034,417)	(1,154,393)	(1,030,540)
Share of profit/(loss) in associates		737,832	568,812	21,250	(57,367)
Profit before tax	28	18,382,901	19,674,510	15,344,033	12,092,857
Tax expense	29	(4,808,667)	(4,819,357)	(4,335,551)	(2,629,023)
Net profit for the financial years		13,574,234	14,855,153	11,008,482	9,463,834
Other comprehensive income for the financial years, net of tax		-	-	-	-
Total comprehensive income for the financial years		13,574,234	14,855,153	11,008,482	9,463,834
Profit for the financial years attributable to:-					
Owners of the combining entities		13,576,172	14,793,750	11,096,435	9,360,499
NCI		(1,938)	61,403	(87,953)	103,335
		13,574,234	14,855,153	11,008,482	9,463,834
Total comprehensive income for the financial years attributable to:-					
Owners of the combining entities		13,576,172	14,793,750	11,096,435	9,360,499
NCI		(1,938)	61,403	(87,953)	103,335
		13,574,234	14,855,153	11,008,482	9,463,834
Earnings per share					
Basic earnings per share	30	2,467	2,689	2,017	1,702
Diluted earnings per share	30	-	-	-	-

The accompanying notes form an integral part of the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)

PEKAT GROUP BERHAD (Incorporated in Malaysia)

COMBINED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017

	Note	Share capital RM	Retained earnings RM	Total RM	NCI RM	Total equity RM
Balance at 1 January 2017		550,020	17,053,399	17,603,419	101,294	17,704,713
Total comprehensive income for the financial year		-	9,360,499	9,360,499	103,335	9,463,834
Transactions with owners of the combining entities:-						
Increased in shareholding of a subsidiary		-	269,599	269,599	(359,599)	(90,000)
Disposal of a subsidiary		-	-	-	109,857	109,857
Balance at 31 December 2017		550,020	26,683,497	27,233,517	(45,113)	27,188,404
Total comprehensive income for the financial year		-	11,096,435	11,096,435	(87,953)	11,008,482
Transactions with owners of the combining entities:-						
Dividend paid to owners of the combining entities	31	-	(1,017,537)	(1,017,537)	-	(1,017,537)
Incorporation of a subsidiary		-	-	-	90,000	90,000
Balance at 31 December 2018		550,020	36,762,395	37,312,415	(43,066)	37,269,349
Total comprehensive income for the financial year		-	14,793,750	14,793,750	61,403	14,855,153
Transactions with owners of the combining entities:-						
Incorporation of the Company	15	20	-	20	-	20
Dividend paid to owners of the combining entities	31	-	(1,274,000)	(1,274,000)	-	(1,274,000)
Increased in shareholding of a subsidiary		-	(102,698)	(102,698)	53,698	(49,000)
Acquisition of a subsidiary		-	-	-	198,235	198,235
Disposal of a subsidiary		-	-	-	(198,235)	(198,235)
Balance at 31 December 2019		550,040	50,179,447	50,729,487	72,035	50,801,522
Total comprehensive income for the financial year		-	13,576,172	13,576,172	(1,938)	13,574,234
Transaction with owners of the combining entities:-						
Dividend paid to owners of the combining entities	31	-	(500,000)	(500,000)	-	(500,000)
Balance at 31 December 2020		550,040	63,255,619	63,805,659	70,097	63,875,756

The accompanying notes form an integral part of the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017

	<u>Note</u>	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
OPERATING ACTIVITIES					
Profit before tax		18,382,901	19,674,510	15,344,033	12,092,857
Adjustments for:-					
Amortisation of intangible assets		179,937	96,809	-	-
Bargain purchase on acquisition of a subsidiary		-	-	-	(142,372)
Depreciation of property, plant and equipment		723,079	947,721	886,409	1,588,583
Dividend income		(119,629)	(131,794)	-	-
Fair value (gain)/loss on other investments		(5,608)	6,332	(7,546)	-
Gain on disposal of an associate		(32)	-	-	(250,000)
Gain on disposal of property, plant and equipment		(2,000)	-	(77,297)	(393,995)
Gain on termination of lease		(31,206)	-	-	-
Impairment loss on contract assets		637,598	283,715	-	-
Impairment loss on inventories		-	414,529	-	218,063
Impairment loss on trade receivables		175,651	3,317,425	987,522	323,635
Interest expenses		887,474	1,034,417	1,154,393	1,030,540
Interest income		(380,137)	(893,812)	(823,191)	(716,629)
(Gain)/Loss on disposal of subsidiaries		(18,160)	82,326	-	(318,341)
Loss on liquidation of subsidiaries		-	-	21,985	-
Provision for foreseeable losses		-	-	2,190,537	710,574
Reversal of provision for foreseeable losses		(1,432,315)	(1,117,655)	-	-
Reversal of impairment loss on contract assets		-	-	(29,498)	-
Reversal of impairment loss on inventories		(179,397)	(74,290)	-	-
Reversal of impairment loss on trade receivables		(348,933)	(1,113,086)	(140,768)	-
Share of (profit)/loss in associates		(737,832)	(568,812)	(21,250)	57,367
Unrealised loss/(gain) on foreign exchange		66,212	(137,258)	(8,469)	(38,173)
Waiver of amount due to related parties		-	-	-	(223,958)
Written down of inventories		-	-	6,987	46,915
Written off of contract assets		-	12,529	-	-
Written off of inventories		-	82,365	-	-
Written off of other receivables		-	-	105,940	427,481
Written off of property, plant and equipment		3,585	4,114	-	-
Written off of amount due from an associate		12,385	-	-	-
Written off of trade receivables		286	-	89,889	14,948
Operating profit before working capital changes		17,813,859	21,920,085	19,679,676	14,427,495
Changes in working capital:-					
Inventories		566,622	(857,905)	(2,069,297)	(2,176,648)
Receivables		(5,180,511)	(3,352,576)	(5,409,622)	(3,882,431)
Payables		6,493,124	8,361,732	(1,901,244)	(3,538,919)
Contract assets or liabilities		(7,204,505)	(6,098,892)	(11,646,932)	5,368,908
Associates		(3,442,638)	(2,806,680)	(1,311,283)	(399,717)
Related parties		-	(10,462)	14,389	157,009
Cash generated from/(used in) operations		9,045,951	17,155,302	(2,644,313)	9,955,697
Interest received		209,467	301,205	302,306	306,040
Tax refund		-	821,564	130,924	-
Tax paid		(5,210,107)	(4,647,819)	(3,648,975)	(3,046,499)
Net cash from/(used in) operating activities		4,045,311	13,630,252	(5,860,058)	7,215,238

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017 (CONT'D)

	<u>Note</u>	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
INVESTING ACTIVITIES					
Acquisition from NCI in a subsidiary		-	(49,000)	-	(90,000)
Acquisition of intangible assets		(33,377)	(883,777)	-	-
Acquisition of investment in associates		-	(454,055)	(367,530)	-
Acquisition of other investment		(533,966)	(9,375,361)	(40,000)	-
Acquisition of property, plant and equipment	B	(4,766,896)	(931,382)	(494,643)	(505,079)
Dividend received		98,153	40,831	-	-
Interest received		170,670	592,607	520,885	410,589
Net inflow on acquisition of a subsidiary		-	198,235	-	123,083
Net inflow on incorporation of a subsidiary		-	-	90,000	-
Net inflow/(outflow) on disposal of subsidiaries		1,001	(280,561)	-	200,407
Net outflow on liquidation of subsidiaries		-	-	(6,085)	-
Proceeds from disposal of other investments		8,910,000	-	-	-
Proceeds from disposal of an associate		32	-	-	250,000
Proceeds from disposal of property, plant and equipment	C	2,000	-	103,900	450,247
Net cash from/(used in) investing activities		3,847,617	(11,142,463)	(193,473)	839,247
FINANCING ACTIVITIES					
Advances to an associate		(1,106,401)	(93,446)	(92,756)	(4,949)
Repayments from/(Advances to) related parties		10,226,919	(518,927)	635,358	(5,073,007)
(Repayments to)/Advances from Directors		-	(118,614)	(8,984)	52,598
Dividend paid		(1,000,000)	(774,000)	(1,017,537)	-
Drawdowns of fixed deposit pledged with licensed bank		(3,394,912)	(177,418)	(2,584,394)	(187,152)
Interest paid		(887,474)	(1,034,417)	(1,022,849)	(1,030,540)
Drawdowns of bankers' acceptances		18,620,276	25,038,083	27,526,784	17,729,497
Repayments of bankers' acceptances		(16,783,004)	(26,402,803)	(20,994,046)	(15,783,510)
Drawdowns of term loans		483,867	-	-	5,234,500
Repayments of term loans		(8,410,723)	(781,659)	(749,618)	(557,947)
Repayments of lease liabilities	D	(448,927)	(622,246)	(492,274)	(284,603)
Proceeds from issuance of shares		-	20	-	-
Net cash (used in)/from financing activities		(2,700,379)	(5,485,427)	1,199,684	94,887
CASH AND CASH EQUIVALENTS					
Net changes		5,192,549	(2,997,638)	(4,853,847)	8,149,372
Brought forward		9,883,500	12,881,138	17,734,985	9,585,613
Carried forward	A	15,076,049	9,883,500	12,881,138	17,734,985

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017 (CONT'D)**NOTES TO THE COMBINED STATEMENT OF CASH FLOWS****A. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the combined statement of cash flows comprise the followings:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Cash and bank balances	15,076,049	8,234,644	7,946,584	13,831,111
Fixed deposits with licensed banks	9,135,078	7,661,134	10,497,302	6,882,228
Overdrafts	-	(272,112)	-	-
	<u>24,211,127</u>	<u>15,623,666</u>	<u>18,443,886</u>	<u>20,713,339</u>
Less: Fixed deposits with licensed banks pledged as security for banking facilities	<u>(9,135,078)</u>	<u>(5,740,166)</u>	<u>(5,562,748)</u>	<u>(2,978,354)</u>
Cash and cash equivalents	<u>15,076,049</u>	<u>9,883,500</u>	<u>12,881,138</u>	<u>17,734,985</u>

B. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Total purchase of property, plant and equipment	18,524,896	1,325,786	995,643	1,545,337
Less: Acquisition by means of lease liabilities	(70,000)	(394,404)	(501,000)	(1,040,258)
Acquisition by means of bank borrowings	<u>(13,688,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash paid	<u>4,766,896</u>	<u>931,382</u>	<u>494,643</u>	<u>505,079</u>

C. PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Total proceeds received from disposal of property, plant and equipment	2,000	-	103,900	1,531,600
Less: Disposal by means of transfer out lease liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,081,353)</u>
Total cash received	<u>2,000</u>	<u>-</u>	<u>103,900</u>	<u>450,247</u>

D. CASH OUTFLOWS FOR LEASES AS A LESSEE

	<u>Note</u>	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
		RM	RM	RM	RM
Included in net cash from operating activities:-					
Payment relating to short-term leases	17	1,403,844	1,259,334	1,249,942	1,290,486
Payment relating to leases of low-value assets	17	-	1,680	-	-
Included in net cash from financing activities:-					
Payment of lease liabilities		448,927	622,246	492,274	284,603
Payment on interest of lease liabilities		<u>45,737</u>	<u>75,223</u>	<u>86,357</u>	<u>167,687</u>
Total cash outflows for leases		<u>1,898,508</u>	<u>1,958,483</u>	<u>1,828,573</u>	<u>1,742,776</u>

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018 AND 31 DECEMBER 2017 (CONT'D)**NOTES TO THE COMBINED STATEMENT OF CASH FLOWS (CONT'D)****RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<u>1.1.2020</u> RM	<u>Drawdown</u> RM	<u>Repayments</u> RM	<u>Disposal</u> RM	<u>Termination</u> RM	<u>31.12.2020</u> RM
Lease liabilities	1,202,850	70,000	(448,927)	-	(171,144)	652,779
Bankers' acceptances	11,388,005	18,620,276	(16,783,004)	-	-	13,225,277
Term loans	8,062,695	14,171,867	(8,410,723)	-	-	13,823,839
	<u>20,653,550</u>	<u>32,862,143</u>	<u>(25,642,654)</u>	<u>-</u>	<u>(171,144)</u>	<u>27,701,895</u>
	<u>1.1.2019</u> RM	<u>Drawdown</u> RM	<u>Repayments</u> RM	<u>Disposal</u> RM	<u>Termination</u> RM	<u>31.12.2019</u> RM
Lease liabilities	1,430,692	394,404	(622,246)	-	-	1,202,850
Bankers' acceptances	12,752,725	25,038,083	(26,402,803)	-	-	11,388,005
Term loans	8,844,354	-	(781,659)	-	-	8,062,695
	<u>23,027,771</u>	<u>25,432,487</u>	<u>(27,806,708)</u>	<u>-</u>	<u>-</u>	<u>20,653,550</u>
	<u>1.1.2018</u> RM	<u>Drawdown</u> RM	<u>Repayments</u> RM	<u>Disposal</u> RM	<u>Termination</u> RM	<u>31.12.2018</u> RM
Lease liabilities	1,421,966	501,000	(492,274)	-	-	1,430,692
Bankers' acceptances	6,219,987	27,526,784	(20,994,046)	-	-	12,752,725
Term loans	9,593,972	-	(749,618)	-	-	8,844,354
	<u>17,235,925</u>	<u>28,027,784</u>	<u>(22,235,938)</u>	<u>-</u>	<u>-</u>	<u>23,027,771</u>
	<u>1.1.2017</u> RM	<u>Drawdown</u> RM	<u>Repayments</u> RM	<u>Disposal</u> RM	<u>Termination</u> RM	<u>31.12.2017</u> RM
Lease liabilities	1,747,664	1,040,258	(284,603)	(1,081,353)	-	1,421,966
Bankers' acceptances	4,274,000	17,729,497	(15,783,510)	-	-	6,219,987
Term loans	4,917,419	5,234,500	(557,947)	-	-	9,593,972
	<u>10,939,083</u>	<u>24,004,255</u>	<u>(16,626,060)</u>	<u>(1,081,353)</u>	<u>-</u>	<u>17,235,925</u>

The accompanying notes form an integral part of the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**PEKAT GROUP BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION****1.1 Introduction**

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Pekat Group Berhad (“the Company” or “Pekat Group”) in connection with the listing of and quotation for the entire enlarged issued share capital of Pekat Group on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (hereinafter defined as “the Listing”) and should not be relied upon for any other purposes.

1.2 Background

The Company was incorporated on 5 April 2019 as a public limited liability company and domiciled in Malaysia. The registered office is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at 3A, 5&6 Teknologi Kubik, No. 6, Jalan Teknologi 3/4 Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

1.3 Principal activities

The Company’s principal activity is investment holding.

The details of the subsidiaries of Pekat Group as of the date of this report is as follows:-

<u>Name of company</u>	<u>Effective ownership</u>				<u>Principal activities</u>	<u>Date of incorporation</u>	<u>Country of incorporation</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>			
Pekat Teknologi Sdn. Bhd.	100%	100%	-	-	Investment holding of companies involved in design, supply and installation of solar PV systems and power plants, supply and installation of ELP systems as well as distribution of electrical products and accessories	5 August 1999	Malaysia
<u>Subsidiaries of Pekat Teknologi Sdn. Bhd.</u>							
Pekat Solar Sdn. Bhd.	100%	100%	100%	100%	Design, supply and installation of solar PV systems and power plants and related services.	22 November 2010	Malaysia
Pekat Engineering Sdn. Bhd.	100%	100%	100%	100%	Distribution of electrical products and accessories.	22 November 2010	Malaysia
Pekat E&LP Sdn. Bhd.	100%	100%	100%	100%	Supply and installation of ELP systems.	22 November 2010	Malaysia

12. ACCOUNTANTS' REPORT (Cont'd)

1. GENERAL INFORMATION (CONT'D)

1.3 Principal activities (cont'd)

The details of the subsidiaries of Pekat Group as of the date of this report is as follows (cont'd):-

<u>Name of company</u>	<u>2020</u>	<u>Effective ownership</u>			<u>Principal activities</u>	<u>Date of incorporation</u>	<u>Country of incorporation</u>
		<u>2019</u>	<u>2018</u>	<u>2017</u>			
<u>Subsidiaries of Pekat Teknologi Sdn. Bhd. (cont'd)</u>							
E&LP Engineering Sdn. Bhd.	100%	100%	100%	100%	Distribution of electrical products and accessories.	19 July 2007	Malaysia
Solar Data Systems Sdn. Bhd.	-	100%	100%	100%	Trading of solar equipment.	3 January 2012	Malaysia
JP Solar Energy Sdn. Bhd. (F.K.A. Pekat Solartech Sdn. Bhd.)	-	100%	100%	100%	Consultant for solar or renewable green energy.	1 July 2016	Malaysia
Pnexsoft Sdn. Bhd.	70%	70%	70%	-	Development and distribution of software applications.	18 September 2018	Malaysia
Pekat Ledsystems Sdn. Bhd.	100%	100%	51%	51%	Agents, importers, exporters and suppliers of electrical goods.	11 January 2006	Malaysia
Enersave Lighting Sdn. Bhd.	-	-	-	51%	Agents, importers, exporters and supplier of electrical goods.	5 February 2010	Malaysia
True Sovereign Holdings Sdn. Bhd.	-	-	-	100%	Investment holding.	20 October 2010	Malaysia
Proven Solid Holdings Sdn. Bhd.	-	-	-	100%	Investment holding.	25 November 2010	Malaysia
Booming Achievement Sdn. Bhd.	-	-	-	100%	Investment holding.	25 November 2010	Malaysia

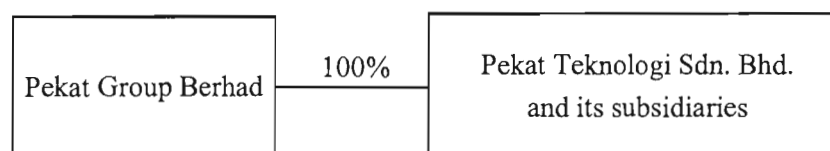
12. ACCOUNTANTS' REPORT (Cont'd)**1. GENERAL INFORMATION (CONT'D)****1.4 The acquisitions**

Pekat Group will be formed pursuant to the incorporation of Pekat Group Berhad and completion of the acquisition of Pekat Teknologi Sdn. Bhd. and its subsidiaries, prior to the listing and quotation on the ACE Market of Bursa Malaysia Securities Berhad.

Pekat Group acquired the entire issued share capital of Pekat Teknologi Sdn. Bhd. and its subsidiaries comprising 550,020 ordinary shares ("Acquisition").

The aggregate purchase consideration for the above Acquisition was RM50,630,000 satisfied by the issuance of 506,300,000 new shares at its indicative value of approximately RM0.10 per share.

Following the completion of the incorporation and the acquisition at 17 March 2021, the combining entities adopted the current structure as follows:-

**1.5 Auditors**

The combined financial statements of combining entities reflect the financial information of Pekat Group Berhad, Pekat Teknologi Sdn. Bhd. and its subsidiaries.

The relevant financial period/years of the audited financial statements used for the purpose of the combined financial statements ("Relevant Financial Period/Years") and the auditors are as follows:-

Companies	Relevant Financial Period/Years	Auditors
Pekat Group Berhad	FYE 31 December 2020 FPE 31 December 2019	Grant Thornton Malaysia PLT Grant Thornton Malaysia PLT
Pekat Teknologi Sdn. Bhd. and its subsidiaries	FYE 31 December 2020 FYE 31 December 2019 FYE 31 December 2018 FYE 31 December 2017	Grant Thornton Malaysia PLT Grant Thornton Malaysia PLT Grant Thornton Malaysia PLT Grant Thornton Malaysia PLT

* FPE - Financial period ended

FYE - Financial year ended

The audited financial statements of Pekat Group Berhad, Pekat Teknologi Sdn. Bhd. and its subsidiaries for the relevant financial period/years reported above were not subject to any qualification or modification.

12. ACCOUNTANTS' REPORT (*Cont'd*)

2. BASIS OF PREPARATION

2.1 Statement of compliance

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") based on the Guidance Note on 'Combined financial statements' issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of combining entities as disclosed in Note 1.5 to this report, which were under common control throughout the reporting years by virtue of common controlling shareholders.

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting years.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the combining entities, as the combined financial statements reflect business combinations under common control for the purpose of the Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial position, results of operations and cash flows of the combining entities during the reporting years.

2.2 Basis of measurement

The combined financial statements of the combining entities are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the combining entities.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial market takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The combining entities use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure for value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

12. ACCOUNTANTS' REPORT (Cont'd)**2. BASIS OF PREPARATION (CONT'D)****2.2 Basis of measurement (cont'd)**

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the combined financial statements on a recurring basis, the combining entities determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the combining entities had determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

2.3 Functional and presentation currency

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the combining entities' functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 Adoption of new standards/amendments/improvements to MFRSs

The combining entities have consistently applied the accounting policies set out in Note 3 to all years presented in the combined financial statements.

At the beginning of the current financial year, the combining entities adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2020.

Initial application of new standards/amendments/improvements to the standards did not have significant material impact to the financial statements.

2.5 Standards issued but not yet effective

At the date of authorisation of these combined financial statements, Malaysia Accounting Standard Board ("MASB") has approved new standards, amendments and interpretations to existing standards which are not yet effective, and have not been early adopted by the combining entities.

The management anticipates that all of the relevant pronouncements will be adopted in the combining entities' accounting policies in the first period beginning after the effective date of the pronouncement.

The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the combined financial statements of the combining entities.

12. ACCOUNTANTS' REPORT (Cont'd)**2. BASIS OF PREPARATION (CONT'D)****2.6 Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the combined financial statements. They affect the application of the combining entities' accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

2.6.1 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful lives of depreciable assets and amortisation asset

The management estimates the useful lives of the property, plant and equipment and intangible assets to be 3 to 50 years and reviews the useful lives of depreciable assets at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the combining entities. Actual results, however, may vary due to changes in the expected level of usage and developments, resulting in adjustment to the combining entities' assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation hence it would not result in material variance in the combining entities' profit for the financial year.

The carrying amount of the combining entities' property, plant and equipment and intangible assets at the reporting date are disclosed in Notes 4 and 5 to the combined financial statements.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the combining entities' assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

12. ACCOUNTANTS' REPORT (Cont'd)**2. BASIS OF PREPARATION (CONT'D)****2.6 Significant accounting estimates and judgements (cont'd)****2.6.1 Estimation uncertainty (cont'd)****Provision for expected credit losses ("ECL") of receivables and contract assets**

The combining entities use a provision matrix to calculate ECL for receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the combining entities' historical observed default rates. The combining entities will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial products and services sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The combining entities' historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the combining entities' trade receivables and contract assets are disclosed in Note 35.1 (a) to the combined financial statements.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The carrying amount of the combining entities' inventories at the reporting date is disclosed in Note 8 to the combined financial statements.

Income taxes

Significant estimation is involved in determining the combining entities' provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The combining entities recognise liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

12. ACCOUNTANTS' REPORT (Cont'd)**2. BASIS OF PREPARATION (CONT'D)****2.6 Significant accounting estimates and judgements (cont'd)****2.6.1 Estimation uncertainty (cont'd)****Leases**

As a lessee, the combining entities are subject to increases in rental throughout the lease period, as imposed by the landlord. The management uses all available information to develop an estimate of the expected increase in rental, and reflects such estimates within the right of use asset and lease liability calculations. If a reliable estimate is not available, the management analyses historical increases in rental, and prudently assumes that the rental will continue to increase at such a rate.

2.6.2 Significant management judgement

The following are significant management judgements in applying the accounting policies of the combining entities that have the most significant effect on the combined financial statements:-

Leases

In applying MFRS 16, management uses judgement in determining the rate to discount the lease payments and assess whether a right-of-use asset is impaired. Furthermore, the combining entities estimate the lease term and reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

In most cases, determining the appropriate discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In assessing the lease term and the likelihood of any extensions or early terminations, the management monitors the cash inflows from each right-of-use asset and evaluates whether such extensions or early terminations would lead to economic benefits for the combining entities.

Revenue from contracts with customers

The combining entities applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:-

Identifying performance obligations in a contract of installation, engineering, maintenance services and sales of solar equipment, earthing and lightning protection equipment

The combining entities determine that the installation, maintenance, testing and commissioning for on-grid and off-grid photovoltaic systems, and earthing and lightning protection systems are not capable of being distinct. This is due to the contracts are negotiated as a package with a single commercial objective. In addition, the equipment systems and installation services are highly interrelated as the combining entities do not provide independent installation services. Thus, a project with one distinct customer of involving from engineering, installation and after-sales maintenance are included under one single performance obligation unless after sales maintenance is separate and distinct performance obligation.

Determining the timing of satisfaction of installation services

The combining entities concluded that the revenue for installation services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the combining entities. The combining entities recognise revenue over time by measuring progress towards complete satisfaction of that performance obligation. The combining entities determined percentage of completion by using actual cost relative to the total expected cost of completion.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

The combining entities apply significant accounting policies, as summarised below, consistently throughout all years presented in the combined financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Common control business combination outside the scope of MFRS 3

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, and accordingly the accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

In applying merger accounting, combined financial statements items of the combining entities or businesses for the reporting years in which the common control combination occurs, and for any comparative years disclosed, are included in the financial statements of the entity as if the combination had occurred from the date when the combining entities first came under the control of the controlling party or parties prior to the common control combination.

A single uniform set of accounting policies is adopted by the entity. Therefore, the entity recognised the assets, liabilities and equity of the combining entities or business at the carrying amounts in the combined financial statements of the controlling party or parties to the common control combination.

The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming the entity's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the entity.

Under the merger method of accounting, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On combination, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in merger reserve.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.2 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the combining entities. Control exists when the Pekat Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Pekat Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investment in subsidiaries is stated at cost less any impairment losses in the combining entities' combined statement of financial position unless the investment is held for sale or distribution.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3.1.3 Basis of consolidation

The combining entities' combined financial statements consolidates the audited combined financial statements of the combining entities, which have been prepared in accordance with the combining entities' accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the combining entities. The combined financial statements of the combining entities are all drawn up to the same reporting date.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the combining entities (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the combined financial statements. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 19 of the combined financial statements.

Subsidiaries are combined from the date on which control is transferred to the combining entities and are no longer combined from the date that control ceases.

Changes in the combining entities owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and NCI are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCI is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the combining entities.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 Consolidation (cont'd)****3.1.4 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured fair value at acquisition date and the amount of any NCI in the acquiree. For each business combination, the combining entities elect whether it measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the combining entities acquire a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the combining entities' cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.1.5 NCI

NCI at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the combining entities, are presented in the combined statement of financial position and combined statement of changes in equity within equity, separately from equity attributable to the owners of the combining entities. NCI in the results of the combining entities is presented in the combined statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between NCI and the owners of the combining entities.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.5 NCI (cont'd)

Losses applicable to the NCI in a subsidiary are allocated to the NCI even if that results in a deficit balance.

3.1.6 Loss of control

Upon the loss of control of a subsidiary, the combining entities derecognise the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the combining entities retain any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.7 Associates

Associates are entities in which the combining entities have significant influence, but no control, over their financial and operating policies.

The combining entities' investments in its associates are accounted for using the equity method. Under the equity method, investment in an associate carried in the statement of financial position at cost plus post acquisition changes in the combining entities' share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the combining entities' other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the combining entities recognise its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the combining entities and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the combining entities' share of profit or loss of an associate is shown on the face of the combined statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

When the combining entities' share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the combining entities has an obligation or has made payments on behalf of the associate.

The financial statements of the associates are prepared as of the same reporting period as the combining entities. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the combining entities.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 Consolidation (cont'd)****3.1.7 Associates (cont'd)**

After application of the equity method, the combining entities determines whether it is necessary to recognise an additional impairment loss on the combining entities' investments in its associates. The combining entities determine at each end of the reporting period whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the combining entities calculate the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the combining entities and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight-line method in order to write off the cost of each asset over its estimated useful lives but leasehold building shall be amortised over the lease period. Freehold land with an infinite life is not depreciated. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Office buildings	3-6 years
Leasehold building	50 years
Solar systems	5 years
Furniture and fittings	5 years
Office equipment	5 years
Plant and machinery	5 years
Renovations	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the profit or loss in the period in which it incurred.

The useful life of intangible assets is assessed to be either finite or indefinite. Intangible assets with finite life are amortised on straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by charging the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful life is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful life are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from derecognition of an intangible assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Software licences

Software licence that are embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment.

Application software that is being used on a computer that is generally easily replaced and is not an integral part of the related hardware is classified as intangible asset.

Due to the risk of technological changes, the useful lives of all software licences are generally assessed to be finite. Software licences that are classified as intangible assets are amortised on a straight-line basis over their estimated useful life of 5 years.

3.4 Leases

At inception of a contract, the combining entities assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Leases (cont'd)**

To assess whether a contract conveys the right to control the use of an identified asset, the combining entities assess whether:-

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the combining entities have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the combining entities have the right to direct the use of the asset. The combining entities have this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the combining entities has the right to direct the use of the asset if either:-
 - the combining entities have the right to operate the asset; or
 - the combining entities designed the asset in a way that predetermines how and for what purpose it will be used.

As a lessee

The combining entities recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the combining entities' incremental borrowing rate. Generally, the combining entities use its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the combining entities' estimate of the amount expected to be payable under a residual value guarantee or if the combining entities changes its assessment of whether it will exercise a purchase, extension or termination option.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administration expenses" in the combined statement of profit or loss and other comprehensive income.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Leases (cont'd)**As a lessee (cont'd)

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The combining entities has used this practical expedient.

At the commencement date of the lease, the combining entities recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the combining entities and payments of penalties for terminating the lease, if the lease term reflects the combining entities exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the combining entities use their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

As a lessor

Leases in which the combining entities does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the combined statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.5 Financial instruments**3.5.1 Initial recognition and derecognition**

Financial assets and financial liabilities are recognised when the combining entities become a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.2 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with MFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:-

- amortised cost;
- fair value through profit or loss ("FVTPL"); and
- fair value through other comprehensive income ("FVOCI").

In the periods presented, the combining entities do not have any financial assets categorised as FVOCI.

The classification is determined by both:-

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

3.5.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):-

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The combining entities' trade and most of the other receivables, amount due from associates, amount due from related parties, fixed deposits with licensed banks, and cash and bank balances fall into this category of financial instruments.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.3 Subsequent measurement of financial assets (cont'd)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The fair value was determined in line with the requirements of MFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3.5.4 Classification and measurement of financial liabilities

The combining entities' financial liabilities include trade and most of the other payables, amount due to an associate, amount due to related parties, amount due to Directors and borrowings. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the combining entities designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

3.5.5 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured at their fair values. The method of recognising the resulting gain or loss depends on whether the derivatives designated as hedging instrument, and if so, the nature of the item being hedged.

The combining entities designates the derivative as follows:-

Derivative financial instruments

The combining entities hold derivative financial instruments to hedge its foreign currency exposures.

Forward foreign exchange contracts used are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as those arising from the related assets, liabilities or net position.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (cont'd)

3.5.5 Derivative financial instruments (cont'd)

The combining entities designates the derivative as follows (cont'd):-

Derivative financial instruments (cont'd)

Exchange gains or losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

The fair value of foreign currency forward contract is determined using the forward exchange market rates at the reporting date.

3.5.6 Derecognition

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the combining entities neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the combining entities recognise its retained interest in the asset and associated liability for amounts it may have to pay. If the combining entities retain substantially all the risks and rewards of ownership of transferred assets, the combining entities continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The combining entities derecognise a financial liability when its contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liability assumed, is recognised in profit or loss.

3.5.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the combined statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 Impairment of non-financial assets**

At each reporting date, the combining entities review carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Non-financial assets are tested for impairment annually at year end or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

If any such indication exists, or when annual impairment testing for an asset is required, the recoverable amount is estimated and an impairment loss is recognised whenever the recoverable amount of the asset or a cash-generating unit is less than its carrying amount. Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An impairment loss is recognised as an expense in profit or loss immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

All reversals of impairment losses are recognised as income immediately in profit or loss. After such a reversal, depreciation charge is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over its remaining useful life.

3.7 Impairment of financial assets

The combining entities recognise an allowance for ECL on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. ECL is a probability-weighted estimate of credit loss.

The combining entities measure loss allowances at an amount equal to lifetime ECL, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the combining entities consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the combining entities' historical experience and informed credit assessment and including forward-looking information, where available.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of financial assets (cont'd)

Lifetime ECL are the ECL that result from all possible default events over the expected life of the asset, while 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECL is the maximum contractual period over which the combining entities are exposed to credit risk.

The combining entities estimate the ECL on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the combining entities assess whether the financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the combining entities determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the combining entities's procedures for recovery amounts due.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate write down has been made for derivated, obsolete and slow-moving inventories.

The cost of inventories is based on a weighted average basis and includes value of goods purchased and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.9 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, bank balances and fixed deposits with licensed banks which are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the combined statement of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current assets.

3.10 Equity, reserves and dividends

An equity instrument is any contract that evidences a residual interest in the assets of the combining entities after deducting all of its liabilities. Ordinary shares are equity instruments.

Retained earnings include all current and prior financial years' profits.

Interim dividends are simultaneously proposed and declared, because the articles of association of the combining entities grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the combining entities are recorded separately within equity.

3.11 Tax expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.11.1 Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

3.11.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 Tax expense (cont'd)****3.11.2 Deferred tax (cont'd)**

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.11.3 Sale tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statement of financial position.

3.12 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the combining entities can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time of money is material, provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

12. ACCOUNTANTS' REPORT (Cont'd)**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.13 Contingencies**

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the combined statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.14 Employee benefits**3.14.1 Short-term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the combining entities. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by the employees that increase their entitlement to future compensated absences and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.14.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the combining entities pay fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the combining entities make such contributions to the Employees Provident Fund ("EPF").

3.15 Revenue recognition

The combining entities recognise revenue from contracts with customers for services based on the five-step model as set out in this Standards:-

- i. Identify contracts with a customer. A contract is defined as an arrangement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- iii. Determine the transaction price. The transaction price is the amount of consideration to which the combining entities expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue recognition (cont'd)

The combining entities recognise revenue from contracts with customers for services based on the five-step model as set out in this Standards (cont'd):-

- iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the combining entities allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the combining entities expect to be entitled in exchange for satisfying each performance obligation.
- v. Recognise revenue when (or as) the combining entities satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The combining entities satisfy a performance obligation and recognise revenue over time if the combining entities' performance:-

- i. Do not create an asset with an alternative use to the combining entities and have an enforceable right to payment for performance completed to-date; or
- ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- iii. Provide benefits that the customer simultaneously receives and consumes as the combining entities perform.

For performance obligations where any one of the above conditions not met, revenue is recognised at a point of time at which the performance obligation is satisfied.

When the combining entities satisfy a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gave rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

3.15.1 Installation services

Revenue from the installation of photovoltaic systems and earthing and lightning equipment system is recognised by reference to the stage of completion. Stage of completion is measured by reference to actual cost incurred to date as a percentage of total budgeted cost for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue recognition (cont'd)

3.15.2 Sales of equipment

Revenue from sales of equipment is recognised at the point in time when control of the assets is transferred to the customer, generally on the delivery of the equipment. The normal credit term is 30 to 90 days upon delivery. The combining entities consider whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (eg. warranties, customer loyalty points). In determining the transaction price of the sale of equipment, the combining entities consider the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer.

3.15.3 Other sources of revenue

3.15.3.1 Interest income

Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the combining entities.

3.15.3.2 Dividend income

Dividend income and other income from investments are recognised in profit or loss when the right to receive payment is established.

3.15.4 Significant financing component

The combining entities granted credit term to its customers. Using practical expedient in MFRS 15, the combining entities do not adjust the promised amount of consideration for the effects of a significant financing components if it expects, at contract inception, the period between transfer of the promised good or service to the customer and when the customer pays for that good or services will be on one year or less.

The combining entities also provide financing components via installation service of solar equipment to customers in which customers elected to pay transaction price by instalments after the performance obligations have been delivered. The total consideration received were discounted using an internal rate of return of the combining entities. The carrying amount of trade receivables disclosed in Note 9 to the combined financial statements.

3.15.5 Contract balance

Contract assets

A contract asset is the right to consideration in exchange for goods and service transferred to the customer. If the combining entities perform by transferring good and services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Revenue recognition (cont'd)

3.15.5 Contract balance (cont'd)

Trade receivables

A receivable represents the combining entities' right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 3.5 under Financial instruments: initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the combining entities have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the combining entities transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the combining entities perform under the contract.

3.16 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

3.17 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the combining entities incurred in connection with the borrowing of funds.

3.18 Operating segments

An operating segment is a component of the combining entities that engage in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the combining entities' other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

12. ACCOUNTANTS' REPORT (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Earnings per share

(a) Basic

The combining entities present basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the combining entities by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(b) Diluted

Diluted earnings per share is calculated by dividing the net profit for the financial period/year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue, adjusted for the dilutive effects of all potential ordinary shares to be issued. Diluted earnings per share is not applicable as the combining entities do not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

3.20 Related parties

A related party is a person or entity that is related to the combining entities. A related party transaction is a transfer of resources, services or obligations between the combining entities and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the combining entities if that person:-

- (i) has control or joint control over the combining entities; or
- (ii) has significant influence over the combining entities; or
- (iii) is a member of the key management personnel of the holding company or the combining entities.

(b) An entity is related to the combining entities if any of the following conditions applies:-

- (i) The entity and the combining entities are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the combining entities or an entity related to the combining entities.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a) (i) above has significant influence over the combining entities or is a member of the key management personnel of the holding company or the combining entities.
- (viii) The entity or any member of an entity of which it is a party, provides key management personnel services to the combining entities or to the parent of the combining entities.

12. ACCOUNTANTS' REPORT (Cont'd)**4. PROPERTY, PLANT AND EQUIPMENT**

Cost	Freehold land RM	Office buildings RM	Leasehold building RM	Solar systems RM	Furniture and fittings RM	Office equipment RM	Plant and Machinery RM	Renovations RM	Motor vehicles RM	Total RM
At 1.1.2017	-	-	-	1,422,871	521,318	1,018,206	-	2,734,057	3,864,916	9,561,368
Additions	-	830,258	-	-	36,110	82,372	-	108,758	487,839	1,545,337
Disposals	-	-	-	-	-	-	-	-	(2,398,661)	(2,398,661)
At 31.12.2017	-	830,258	-	1,422,871	557,428	1,100,578	-	2,842,815	1,954,094	8,708,044
Additions	-	-	160,000	-	-	223,810	-	-	611,833	995,643
Disposals	-	-	-	-	-	(27,025)	-	-	(242,253)	(269,278)
At 31.12.2018	-	830,258	160,000	1,422,871	557,428	1,297,363	-	2,842,815	2,323,674	9,434,409
Additions	-	287,104	-	131,843	57,531	410,653	-	331,355	1,325,786	2,325,786
Written off	-	-	-	-	(42,248)	(71,921)	-	-	-	(114,169)
At 31.12.2019	-	1,117,362	160,000	1,554,714	572,711	1,636,095	-	3,174,170	2,430,974	10,646,026
Additions	17,821,681	-	-	-	-	351,749	250,321	24,252	76,893	18,524,896
Disposals	-	-	-	-	-	-	-	-	(76,950)	(76,950)
Written off	-	-	-	-	(187,650)	(407,135)	-	-	-	(594,785)
Termination of lease contracts	-	(852,890)	-	-	-	-	-	-	-	(852,890)
At 31.12.2020	17,821,681	264,472	160,000	1,554,714	385,061	1,580,709	250,321	3,198,422	2,430,917	27,646,297
Accumulated depreciation										
At 1.1.2017	-	-	-	1,138,297	422,278	651,969	-	2,099,725	2,110,247	6,422,516
Charge for the financial year	-	67,111	-	284,574	82,893	173,379	-	512,769	467,857	1,588,583
Disposals	-	-	-	-	-	-	-	-	(1,261,056)	(1,261,056)
At 31.12.2017	-	67,111	-	1,422,871	505,171	825,348	-	2,612,494	1,317,048	6,750,043
Charge for the financial year	-	279,522	-	-	19,308	127,212	-	133,122	327,245	886,409
Disposals	-	-	-	-	-	(422)	-	-	(242,253)	(242,675)
At 31.12.2018	-	346,633	-	1,422,871	524,479	952,138	-	2,745,616	1,402,040	7,393,777
Charge for the financial year	-	321,896	3,200	1,458	20,945	165,879	-	104,846	329,497	947,721
Written off	-	-	-	-	(41,239)	(68,816)	-	-	-	(110,055)
At 31.12.2019	-	668,529	3,200	1,424,329	504,185	1,049,201	-	2,850,462	1,731,537	8,231,443
Charge for the financial year	-	127,101	3,200	5,274	20,935	201,429	6,400	94,625	264,115	723,079
Disposal	-	-	-	-	-	-	-	-	(76,950)	(76,950)
Written off	-	-	-	-	(187,650)	(403,550)	-	-	-	(591,200)
Termination of lease contracts	-	(712,952)	-	-	-	-	-	-	-	(712,952)
At 31.12.2020	-	82,678	6,400	1,429,603	337,470	847,080	6,400	2,945,087	1,918,702	7,573,420
Net carrying amount										
At 31.12.2020	17,821,681	181,794	153,600	125,111	47,591	733,629	243,921	253,335	512,215	20,072,877
At 31.12.2019	-	448,833	156,800	130,385	68,526	586,894	-	323,708	699,437	2,414,583
At 31.12.2018	-	483,625	160,000	-	32,949	345,225	-	97,199	921,634	2,040,632
At 31.12.2017	-	763,147	-	-	52,257	275,230	-	230,321	637,046	1,958,001

12. ACCOUNTANTS' REPORT (Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Included in the net carrying amount of property, plant and equipment are under lease arrangement as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Office buildings	181,794	448,833	483,625	763,147
Motor vehicles	<u>496,921</u>	<u>664,491</u>	<u>866,320</u>	<u>576,535</u>

5. INTANGIBLE ASSETS

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Software licences				
At cost:-				
At 1 January	883,777	-	-	-
Additions	33,377	883,777	-	-
At 31 December	917,154	883,777	-	-
Amortisation				
At 1 January	96,809	-	-	-
Charge for the financial year	179,937	96,809	-	-
At 31 December	<u>276,746</u>	<u>96,809</u>	<u>-</u>	<u>-</u>
Net carrying amount	<u>640,408</u>	<u>786,968</u>	<u>-</u>	<u>-</u>

The recoverable amount of the intangible assets is assessed based on value-in-use and compared to the carrying amount of the intangible assets to determine whether any impairment exists.

12. ACCOUNTANTS' REPORT (Cont'd)**6. INVESTMENT IN ASSOCIATES**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Unquoted shares, at cost:-				
At 1 January	821,585	367,530	-	385,900
Addition	-	454,055	367,530	-
Written off	-	-	-	(135,900)
Disposal	(32)	-	-	(250,000)
At 31 December	821,553	821,585	367,530	-
Share of post-acquisition profit/(loss)				
At 1 January	590,062	21,250	-	(192,633)
Addition	737,832	568,812	21,250	(57,367)
Disposal	32	-	-	250,000
At 31 December	1,327,926	590,062	21,250	-
Impairment losses				
At 1 January	-	-	-	(135,900)
Written off	-	-	-	135,900
At 31 December	-	-	-	-
Unquoted shares, net	<u>2,149,479</u>	<u>1,411,647</u>	<u>388,780</u>	<u>-</u>

Details of the associates are as follows:-

Name of company	Country of incorporation	Effective interest				Principal activities
		<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	
		%	%	%	%	
Pekat Energy (Sarawak) Sdn. Bhd.	Malaysia	49	49	49	-	Design, supply and installation of solar PV systems and power plants in Sarawak
Petra Jaya Energy Sdn. Bhd.	Malaysia	-	30	30	-	Dormant.
Sunway Pekat Solar Sdn. Bhd.*	Malaysia	40	40	-	-	Design, supply and installation of solar PV systems and power plants for Sunway group of companies.
J8K Energy Sdn. Bhd.*	Malaysia	49	49	-	-	Dormant.
Bayangan Sutera Sdn. Bhd.*	Malaysia	-	20	-	-	Dormant.
MFP Solar Sdn. Bhd.*	Malaysia	45	45	-	-	Build, own and operate solar PV power plants.

* Not audited by Grant Thornton Malaysia PLT

12. ACCOUNTANTS' REPORT (Cont'd)

6. INVESTMENTS IN ASSOCIATES (CONT'D)

The summary of financial information of the material associates are as follows:-

31 December 2020	Pekata Energy (Sarawak) Sdn. Bhd. RM	Petra Jaya Energy Sdn. Bhd. RM	Sunway Pekata Solar Sdn. Bhd. RM	J8K Energy Sdn. Bhd. RM	Bayangan Sutera Sdn. Bhd. RM	MFP Solar Sdn. Bhd. RM	Total RM
Summary of financial position							
Non-current assets	1,082,604	-	-	-	-	15,176,773	16,259,377
Current assets	7,698,913	-	3,688,728	3,092	-	740,194	12,130,927
Non-current liabilities	(657,328)	-	-	-	-	(2,202,900)	(2,860,288)
Current liabilities	(6,340,517)	-	(1,650,398)	(17,296)	-	(12,691,519)	(20,699,730)
Net assets/(liabilities)	1,783,672	-	2,038,330	(14,204)	-	1,022,548	4,830,346
Summary of financial performance							
Revenue	14,478,722	-	9,050,259	-	-	247,707	23,776,688
Profit/(Loss) for the financial year/Total comprehensive income for the financial year	317,959	-	1,427,865	(14,304)	-	24,191	1,755,711
Pekata Group's share of profit for the financial year/Total comprehensive income for the financial year	155,800	-	571,146	-	-	10,886	737,832
Reconciliation of net assets to carrying amount							
Pekata Group's share of net assets at beginning of the financial year	718,200	-	244,186	-	-	449,261	1,411,647
Disposal during the financial year	-	(30)	-	-	(2)	-	(32)
Gain on disposal of investment in associates	-	30	-	-	2	-	32
Pekata Group's share of profit for the financial year	155,800	-	571,146	-	-	10,886	737,832
Carrying amount in the combined statement of financial position	874,000	-	815,332	-	-	460,147	2,149,479

12. ACCOUNTANTS' REPORT (Cont'd)**6. INVESTMENTS IN ASSOCIATES (CONT'D)**

The summary of financial information of the material associates are as follows:-

31 December 2019**Summary of financial position**

Non-current assets	202,577	-	-	-	-	-	-	202,577
Current assets	6,874,347	100	801,082	3,093	438,271	1,059,367	-	9,176,260
Non-current liabilities	(138,759)	-	-	-	-	-	-	(138,759)
Current liabilities	(5,472,452)	(11,982)	(190,617)	(7,505)	(583,348)	(61,010)	-	(6,326,914)
Net assets/(liabilities)	1,465,713	(11,882)	610,465	(4,412)	(145,077)	998,357	-	2,913,164

Summary of financial performance

Revenue	15,685,662	-	7,950,475	-	-	-	-	23,636,137
Profit/(Loss) for the financial year/Total comprehensive income/(loss) for the financial year	672,285	(4,512)	600,455	(4,513)	(6,572)	(1,643)	-	1,255,500

Pekat Group's share of profit/(loss) for the financial year/Total comprehensive income/(loss) for the financial year

	329,420	-	240,182	(49)	(2)	(739)	-	568,812
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Reconciliation of net assets to carrying amount

Pekat Group's share of net assets at beginning of the financial year	388,780	-	-	-	-	-	-	388,780
Acquisition during the financial year	-	-	4,004	49	2	450,000	-	454,055
Pekat Group's share of profit/(loss) for the financial year	329,420	-	240,182	(49)	(2)	(739)	-	568,812

Carrying amount in the combined statement of financial position

	718,200	-	244,186	-	-	449,261	-	1,411,647
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12. ACCOUNTANTS' REPORT (Cont'd)**6. INVESTMENTS IN ASSOCIATES (CONT'D)**

The summary of financial information of the material associates are as follows (cont'd):-

	Pekat Energy (Sarawak) Sdn. Bhd. RM	Petra Jaya Energy Sdn. Bhd. RM	Total RM
31 December 2018			
Summary of financial position			
Current assets	2,662,582	100	2,662,682
Current liabilities	(1,869,154)	(7,470)	(1,876,624)
Net assets/(liabilities)	793,428	(7,370)	786,058
Summary of financial performance			
Revenue	4,141,458	-	4,141,458
Profit/(Loss) for the financial year/Total comprehensive income/(loss) for the financial year	43,428	(7,470)	35,958
Pekat Group's share of profit/(loss) for the financial year/Total comprehensive income/(loss) for the financial year	21,280	(30)	21,250
Reconciliation of net assets to carrying amount			
Pekat Group's share of net assets at beginning of the financial year	-	-	-
Acquisition during the financial year	367,500	30	367,530
Pekat Group's share of profit/(loss) for the financial year	21,280	(30)	21,250
Carrying amount in the combined statement of financial position	388,780	-	388,780

12. ACCOUNTANTS' REPORT (Cont'd)**6. INVESTMENTS IN ASSOCIATES (CONT'D)**

The summary of financial information of the material associates are as follows (cont'd):-

	<u>LTI Teltek</u> <u>Sdn. Bhd.</u> RM	<u>PT Pekat</u> <u>Teknologi</u> <u>Indonesia</u> RM	<u>Total</u> RM
31 December 2017			
Summary of financial position			
Current assets	-	-	-
Current liabilities	-	-	-
Net assets	-	-	-
Summary of financial performance			
Revenue	-	115,540	115,540
Loss for the financial year/Total comprehensive loss for the financial year	(129,616)	(29,159)	(158,775)
Pekat Group's share of loss for the financial year/Total comprehensive loss for the financial year	(57,367)	-	(57,367)
Reconciliation of net assets to carrying amount			
Pekat Group's share of net assets at beginning of the year	57,367	-	57,367
Pekat Group's share of loss for the financial year	(57,367)	-	(57,367)
Carrying amount in the combined statement of financial position	-	-	-

7. OTHER INVESTMENTS

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Equity instrument designated at fair value through profit or loss				
Non-current				
- Listed equity investment	-	-	47,546	-
Current				
- Listed equity investment	1,158,588	9,507,538	-	-

Financial assets at fair value through profit or loss include investments in listed equity shares. Fair values of these equity shares are determined by reference to published price quotations in an active market.

12. ACCOUNTANTS' REPORT (Cont'd)**8. INVENTORIES**

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Input materials	<u>11,018,942</u>	<u>11,406,167</u>	<u>10,970,866</u>	<u>8,908,556</u>
Recognised in profit or loss:-				
Inventories recognised as cost of sales	45,726,448	51,268,427	66,261,407	22,538,738
Reversal of impairment loss on inventories	(179,397)	(74,290)	-	-
Impairment loss on inventories	-	414,529	-	218,063
Written down of inventories	-	-	6,987	46,915
Written off of inventories	<u>-</u>	<u>82,365</u>	<u>-</u>	<u>-</u>

The inventories written off, written down and impairment loss are made when the related inventories were obsoleted.

The reversal of impairment loss on slow moving inventories was made during the financial year when the related inventories were sold above their carrying amounts.

9. TRADE RECEIVABLES

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Non-current assets				
Trade receivables	<u>245,953</u>	<u>406,543</u>	<u>733,242</u>	<u>-</u>
Current assets				
Trade receivables	27,814,444	19,977,936	17,447,281	13,143,108
Less: Allowances for impairment losses	<u>(1,947,249)</u>	<u>(1,806,663)</u>	<u>(1,814,940)</u>	<u>(931,869)</u>
	<u>25,867,195</u>	<u>18,171,273</u>	<u>15,632,341</u>	<u>12,211,239</u>
Retention sums	4,741,428	7,327,422	7,224,038	6,281,533
Less: Allowances for impairment losses	<u>(1,687,888)</u>	<u>(2,036,821)</u>	<u>(35,363)</u>	<u>(71,680)</u>
	<u>3,053,540</u>	<u>5,290,601</u>	<u>7,188,675</u>	<u>6,209,853</u>
	<u>28,920,735</u>	<u>23,461,874</u>	<u>22,821,016</u>	<u>18,421,092</u>

- (a) Trade receivables are unsecured, non-interest bearing and the normal trade credit terms granted to customers by the combining entities are ranged from 0 to 180 (31.12.2019: 30 to 120, 31.12.2018: 30 to 120 and 31.12.2017: 30 to 120) days. They are recognised at their original invoiced amount which represent their fair values on initial recognition.

12. ACCOUNTANTS' REPORT (Cont'd)**9. TRADE RECEIVABLES (CONT'D)**

- (b) The movements in the allowance for impairment losses in respect of trade receivables during the financial years were as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Brought forward	1,806,663	1,814,940	931,869	613,955
Charge for the financial year	175,651	1,315,967	987,522	317,914
Reversal of impairment losses	-	(1,113,086)	(104,451)	-
Written off	<u>(35,065)</u>	<u>(211,158)</u>	<u>-</u>	<u>-</u>
Carried forward	<u>1,947,249</u>	<u>1,806,663</u>	<u>1,814,940</u>	<u>931,869</u>

- (c) The movements in the allowance for impairment losses in respect of retention sums during the financial years were as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Brought forward	2,036,821	35,363	71,680	65,959
Charge for the financial year	-	2,001,458	-	5,721
Reversal of impairment losses	<u>(348,933)</u>	<u>-</u>	<u>(36,317)</u>	<u>-</u>
Carried forward	<u>1,687,888</u>	<u>2,036,821</u>	<u>35,363</u>	<u>71,680</u>

- (d) Information on credit risk of trade receivables is disclosed in Note 35 to the combined financial statements.

10. OTHER RECEIVABLES

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Non-trade receivables	1,192,317	385,062	1,055,797	2,053,566
Prepayments	189,445	160,221	206,011	58,802
Staff advance	48,095	29,445	32,300	16,676
Deposits	548,689	530,572	606,418	884,981
Deposit to acquire of land	-	1,711,000	-	-
Prepayment for initial public offering expenses	1,143,317	226,020	93,150	-
GST recoverable	<u>61,316</u>	<u>85,623</u>	<u>300,189</u>	<u>193,042</u>
	<u>3,183,179</u>	<u>3,127,943</u>	<u>2,293,865</u>	<u>3,207,067</u>

The non-trade receivables are unsecured, non-interest bearing and repayable on demand.

12. ACCOUNTANTS' REPORT (Cont'd)**11. CONTRACT ASSETS/(LIABILITIES)**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Contract cost incurred to date	223,130,042	179,324,296	151,352,590	113,355,151
Attributable profits	96,929,452	86,390,724	73,630,081	54,150,494
Less: Provision for foreseeable losses	<u>(646,428)</u>	<u>(2,078,743)</u>	<u>(3,196,398)</u>	<u>(1,005,861)</u>
	319,413,066	263,636,277	221,786,273	166,499,784
Less: Progress billings	<u>(303,234,344)</u>	<u>(256,094,375)</u>	<u>(221,448,389)</u>	<u>(175,618,295)</u>
	<u>16,178,722</u>	<u>7,541,902</u>	<u>337,884</u>	<u>(9,118,511)</u>
<u>Presented as:-</u>				
Contract assets	24,895,000	15,047,460	19,345,850	9,582,034
Less: Allowance for impairment losses	<u>(924,305)</u>	<u>(286,707)</u>	<u>(2,992)</u>	<u>(32,490)</u>
	<u>23,970,695</u>	<u>14,760,753</u>	<u>19,342,858</u>	<u>9,549,544</u>
Contract liabilities	<u>(8,716,278)</u>	<u>(7,505,558)</u>	<u>(19,007,966)</u>	<u>(18,700,545)</u>

The movements in the allowance for impairment losses in respect of contract assets during the financial years were as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Brought forward	286,707	2,992	32,490	32,490
Charge for the financial year	637,598	283,715	-	-
Reversal of impairment losses	<u>-</u>	<u>-</u>	<u>(29,498)</u>	<u>-</u>
Carried forward	<u>924,305</u>	<u>286,707</u>	<u>2,992</u>	<u>32,490</u>

Information on credit risk of contract assets is disclosed in Note 35 to the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**12. AMOUNT DUE FROM/(TO) ASSOCIATES**

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Amount due from associates:-				
- Trade	7,960,318	4,517,680	1,711,000	399,717
- Non-trade	<u>1,280,218</u>	<u>394,057</u>	<u>92,756</u>	<u>-</u>
	<u>9,240,536</u>	<u>4,911,737</u>	<u>1,803,756</u>	<u>399,717</u>
Amount due to an associate:-				
- Non-trade	<u>-</u>	<u>207,855</u>	<u>-</u>	<u>-</u>

The amount due from/(to) associates are unsecured, non-interest bearing and the normal credit terms granted are 30 (31.12.2019: 30, 31.12.2018: 30 and 31.12.2017: 30) days and repayable on demand except for non-trade of RM1,200,000 bears interest at 2.60% (31.12.2019: Nil, 31.12.2018: Nil and 31.12.2017: Nil) per annum.

Information on financial risk of amount due from associates are disclosed in Note 35 to the combined financial statements.

13. AMOUNT DUE FROM/(TO) RELATED PARTIES

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Amount due from related parties:-				
Non-current				
Loan balance	<u>-</u>	<u>4,013,118</u>	<u>7,610,849</u>	<u>8,170,633</u>
Current				
Trade	-	-	(10,462)	3,927
Less: Allowance for impairment losses				
Brought forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>(252,871)</u>
Written off	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,871</u>
Carried forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(10,462)</u>	<u>3,927</u>

12. ACCOUNTANTS' REPORT (Cont'd)**13. AMOUNT DUE FROM/(TO) RELATED PARTIES (CONT'D)**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Amount due from related parties (cont'd):-				
Current (cont'd)				
Non-trade	-	2,430,001	1,346,888	1,423,462
Less: Allowance for impairment losses				
Brought forward	-	(10,000)	(10,000)	(10,000)
Written off	-	10,000	-	-
Carried forward	-	-	(10,000)	(10,000)
Loan balance	-	2,430,001	1,336,888	1,413,462
	-	3,783,800	760,255	760,255
	-	6,213,801	2,086,681	2,177,644
Amount due to related parties:-				
Current				
Non-trade	-	-	-	1,000

Trade balances are unsecured, non-interest bearing and the normal credit terms granted are 60 (31.12.2019: 60, 31.12.2018: 60 and 31.12.2017: 60) days and repayable on demand.

Non-trade balances are unsecured, bears interest at 4% (31.12.2019: 4%, 31.12.2018: 4% and 31.12.2017: 4%) per annum and repayable on demand.

The loan balance from a related party amounting to RM Nil (31.12.2019: RM7,796,918, 31.12.2018: RM8,371,104 and 31.12.2017: RM8,930,888) is charged with interest at Nil (31.12.2019: ranged from 5.08% to 5.79%, 31.12.2018: ranged from 5.54% to 5.79% and 31.12.2017: at 5.54%) per annum.

Information on financial risk of amount due from related parties are disclosed in Note 35 to the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)**14. FIXED DEPOSITS WITH LICENSED BANKS**

The interest rate of deposits of the combining entities during the financial year ranged from 1.20% to 3.35% (31.12.2019: 2.05% to 3.35%, 31.12.2018: 2.80% to 3.20% and 31.12.2017: 2.55% to 4.00%) per annum. The maturities of deposits at the end of the financial year were ranged from 1 month to 12 months (31.12.2019: 1 month to 12 months, 31.12.2018: 1 month to 12 months and 31.12.2017: 1 month to 12 months).

The interest rate of repo of the combining entities during the financial year ranged from 1.83% to 2.85% (31.12.2019: at 2.80%, 31.12.2018: ranged from 2.30% to 4.43% and 31.12.2017: ranged from 2.85% to 3.02%) per annum. The maturities of deposits at the end of the financial year were ranged from 1 day to 1 month (31.12.2019: 1 day to 1 month, 31.12.2018: 1 day to 1 month and 31.12.2017: 1 day to 1 month).

Included in fixed deposits with licensed banks of the combining entities are RM9,135,078 (31.12.2019: RM5,740,166, 31.12.2018: RM5,562,748 and 31.12.2017: RM2,978,354) pledged for bank facilities granted to the combining entities.

15. SHARE CAPITAL

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Issued and fully paid with no par value:-				
<u>Pekat Group Berhad</u>				
200 ordinary shares				
At date of incorporation/Carried forward	20	20	-	-
<u>Pekat Teknologi Sdn. Bhd.</u>				
550,020 ordinary shares				
Brought forward/Carried forward	<u>550,020</u>	<u>550,020</u>	<u>550,020</u>	<u>550,020</u>
	<u>550,040</u>	<u>550,040</u>	<u>550,020</u>	<u>550,020</u>

As at the date of incorporation, Pekat Group Berhad has issued 200 ordinary shares of RM0.10 each as subscribers' shares.

The holders of ordinary shares are entitled to receive dividends as and when declared by Pekat Group Berhad, Pekat Teknologi Sdn. Bhd. and its subsidiaries. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the combining entities' residual assets.

12. ACCOUNTANTS' REPORT (Cont'd)

16. SUBSIDIARIES

(a) Acquisition / Disposal of subsidiaries

31 December 2020

Disposal of subsidiaries

On 29 May 2020, Pekat Teknologi Sdn. Bhd. disposed of its 100% equity interest in JP Solar Energy Sdn. Bhd. and Solar Data Systems Sdn. Bhd. for cash consideration of RM1 and RM1,000 respectively. The disposal of subsidiaries gave rise to total gain of RM18,160 in the financial statements.

	JP Solar Energy Sdn. Bhd. RM	Solar Data Systems Sdn. Bhd. RM	Total RM
Fair value recognised on disposal date			
Other payable	2,316	5,000	7,316
Tax payable	-	9,843	9,843
Total identifiable net liabilities at fair value	2,316	14,843	17,159
Consideration received	1	1,000	1,001
Gain on disposal of subsidiaries	2,317	15,843	18,160
Net cash flows on disposal date			
Proceeds from disposal of subsidiaries	1	1,000	1,001

31 December 2019

Acquisition of a subsidiary

On 4 April 2019, Pekat Teknologi Sdn. Bhd. acquired 51% equity interest in Pekat Solar VN Co Limited for a total cash consideration of RM206,326. The net assets of Pekat Solar VN Co Limited as at acquisition date is as follow:-

	Total RM
Fair value recognised on acquisition date	
Total identifiable net assets at fair value on acquisition date	
Cash and bank balances	404,561
Equity attributable to owners of the parent	206,326
NCI	198,235
	404,561
Cash flows on acquisition date	
Net cash acquired from a subsidiary	404,561
Consideration paid	(206,326)
Net cash flow on acquisition of a subsidiary	198,235

12. ACCOUNTANTS' REPORT (Cont'd)**16. SUBSIDIARIES (CONT'D)****(a) Acquisition / Disposal of subsidiaries (cont'd)****31 December 2019 (cont'd)****Disposal of a subsidiary**

On 30 April 2019, Pekat Teknologi Sdn. Bhd. disposed of its 51% equity interest in Pekat Solar VN Co Limited for a cash consideration of RM124,000. The disposal of Pekat Solar VN Co Limited gave rise to a loss of RM82,326 in the combined financial statements.

	<u>Total</u> RM
Fair value recognised on disposal date	
Total identifiable net assets at fair value on disposal date	
Cash and bank balances	404,561
Consideration received	124,000
Equity attributable to owners of the parent	(206,326)
Loss on disposal of a subsidiary	(82,326)
Cash flows on incorporation date	
Consideration received	124,000
Net cash disposed of a subsidiary	(404,561)
Net cash flow on disposal of a subsidiary	(280,561)

Increase in stake of a subsidiary

On 31 December 2019, Pekat Teknologi Sdn. Bhd. acquired additional 49% equity interest in Pekat Ledsystems Sdn. Bhd. for a total cash consideration of RM49,000. The net assets of Pekat Ledsystems Sdn. Bhd. as at acquisition date is RM109,587 as at acquisition date, the carrying amount of RM53,698 is acquired from NCI.

12. ACCOUNTANTS' REPORT (Cont'd)

16. SUBSIDIARIES (CONT'D)

(a) Acquisition / Disposal of subsidiaries (cont'd)

31 December 2018

Incorporation of a subsidiary

On 18 September 2018, Pekat Teknologi Sdn. Bhd. subscribed to 210,000 ordinary shares, representing 70% equity interest in Pnexsoft Sdn. Bhd. for a total cash consideration of RM210,000. The subsidiary was incorporated on the same day. The net assets of Pnexsoft Sdn.Bhd. as at subscription date is same as cash consideration.

	<u>Total</u> RM
Fair value recognised on incorporation date	
Total identifiable net assets at fair value on incorporation date	
Cash and bank balances	300,000
Equity attributable to owners of the parent	210,000
NCI	90,000
	<u>300,000</u>
Cash flows on incorporation date	
Net cash acquired from a subsidiary	300,000
Consideration paid	(210,000)
Net cash flow on incorporation of a subsidiary	<u>90,000</u>

12. ACCOUNTANTS' REPORT (Cont'd)**16. SUBSIDIARIES (CONT'D)****(a) Acquisition / Disposal of subsidiaries (cont'd)****31 December 2018 (cont'd)****Liquidation of subsidiaries**

During the financial year, Pekat Teknologi Sdn. Bhd. has written off 100% equity interest in True Sovereign Holdings Sdn. Bhd., Proven Solid Holdings Sdn. Bhd. and Booming Achievement Sdn. Bhd. as the companies were voluntary liquidated during the financial year.

	True Sovereign Holdings Sdn. Bhd. RM	Proven Solid Holdings Sdn. Bhd. RM	Booming Achievement Sdn. Bhd. RM	Total RM
Fair value recognised on liquidation date				
Assets				
Receivables	8,000	8,000	8,000	24,000
Cash and bank balances	1,854	2,197	2,034	6,085
	<u>9,854</u>	<u>10,197</u>	<u>10,034</u>	<u>30,085</u>
Liability				
Payables	<u>(2,700)</u>	<u>(2,700)</u>	<u>(2,700)</u>	<u>(8,100)</u>
Total identifiable net assets at fair value	<u>7,154</u>	<u>7,497</u>	<u>7,334</u>	<u>21,985</u>
Loss on liquidation of subsidiaries	<u>7,154</u>	<u>7,497</u>	<u>7,334</u>	<u>21,985</u>
Cash flows on liquidation date				
Net cash liquidated of the subsidiaries	<u>(1,854)</u>	<u>(2,197)</u>	<u>(2,034)</u>	<u>(6,085)</u>

31 December 2017**Increase in stake of subsidiaries**

On 17 October 2017, Pekat Teknologi Sdn. Bhd. acquired additional 18% equity interest in E&LP Engineering Sdn. Bhd. for a total cash consideration of RM90,000. The net assets of E&LP Engineering Sdn. Bhd. as at acquisition date is RM1,997,771 as at acquisition date, the carrying amount of RM359,599 is acquired from NCI.

On 1 August 2017, Pekat Teknologi Sdn. Bhd. acquired 20% equity interest in Pekat Solar Sdn. Bhd. from Booming Achievement Sdn. Bhd. for a total cash consideration of RM240,000. The acquisition did not result in any change of the combining entities' equity interest in Pekat Solar Sdn. Bhd..

On 1 August 2017, Pekat Teknologi Sdn. Bhd. acquired 20% equity interest in Pekat Engineering Sdn. Bhd. from Proven Solid Holdings Sdn. Bhd. for a total cash consideration of RM30,000. The acquisition did not result in any change of the combining entities' equity interest in Pekat Engineering Sdn. Bhd..

12. ACCOUNTANTS' REPORT (Cont'd)

16. SUBSIDIARIES (CONT'D)

(a) Acquisition / Disposal of subsidiaries (cont'd)

31 December 2017 (cont'd)

Increase in stake of subsidiaries (cont'd)

On 1 August 2017, Pekat Teknologi Sdn. Bhd. acquired 20% equity interest in Pekat E&LP Sdn. Bhd. from True Sovereign Holdings Sdn. Bhd. for a total cash consideration of RM100,000. The acquisition did not result in any change of the combining entities' equity interest in Pekat E&LP Sdn. Bhd..

Acquisition of a subsidiary

On 27 December 2017, Pekat Teknologi Sdn. Bhd. acquired 100% equity interest in Solar Data Systems Sdn. Bhd. for a total cash consideration of RM1,000. The net assets of Solar Data Systems Sdn. Bhd. as at acquisition date is as follow:-

	<u>Total</u> RM
Fair value recognised on acquisition date	
Assets	
Inventories	103,064
Receivables	125,770
Tax recoverable	46,259
Cash and bank balances	124,083
	<u>399,176</u>
Liability	
Payables	<u>(255,804)</u>
Total identifiable net assets at fair value	143,372
Consideration paid	<u>(1,000)</u>
Bargain purchase arising on acquisition of a subsidiary	<u>142,372</u>
Cash flows on incorporation date	
Net cash acquired from a subsidiary	124,083
Consideration paid	<u>(1,000)</u>
Net cash flow on acquisition of a subsidiary	<u>123,083</u>

12. ACCOUNTANTS' REPORT (Cont'd)

16. SUBSIDIARIES (CONT'D)

(a) Acquisition / Disposal of subsidiaries (cont'd)

31 December 2017 (cont'd)

Disposal of a subsidiary

On 27 December 2017, Pekat Teknologi Sdn. Bhd. disposed of its 51% equity interest in Enersave Lighting Sdn. Bhd. for a cash consideration of RM204,000. The disposal of Enersave Lighting Sdn. Bhd. gave rise to a gain of RM318,341 in the combined financial statements.

	Total RM
Fair value recognised on disposal date	
Assets	
Cash and bank balances	3,593
Liabilities	
Payables	(227,791)
Total identifiable net liabilities at fair value	(224,198)
Consideration received	204,000
Equity attributable to owners of the parent	114,341
Gain on disposal of a subsidiary	318,341
Cash flows on incorporation date	
Consideration received	204,000
Net cash disposed of a subsidiary	(3,593)
Net cash flow on disposal of a subsidiary	200,407

12. ACCOUNTANTS' REPORT (Cont'd)
16. SUBSIDIARIES (CONT'D)
(b) NCI

The combining entities' subsidiaries that has material NCI are as follow:-

	Percentage of ownership interest and <u>voting interest</u>	Carrying amount of <u>NCI</u> RM	(Loss)/Profit allocated to <u>NCI</u> RM
31 December 2020			
Pnexsoft Sdn. Bhd.	30%	<u>70,097</u>	<u>(1,938)</u>
31 December 2019			
Pekat Ledsystems Sdn. Bhd.	-	-	(1,352)
Pnexsoft Sdn. Bhd.	30%	<u>72,035</u>	<u>62,755</u>
Total		<u>72,035</u>	<u>61,403</u>
31 December 2018			
Pekat Ledsystems Sdn. Bhd.	49%	(52,346)	(7,233)
Pnexsoft Sdn. Bhd.	30%	<u>9,280</u>	<u>(80,720)</u>
Total		<u>(43,066)</u>	<u>(87,953)</u>
31 December 2017			
Pekat Ledsystems Sdn. Bhd.	49%	(45,113)	(1,730)
Enersave Lighting Sdn. Bhd.	-	-	105,065
E&LP Engineering Sdn. Bhd.	-	-	-
Total		<u>(45,113)</u>	<u>103,335</u>

12. ACCOUNTANTS' REPORT (Cont'd)

16. SUBSIDIARIES (CONT'D)

(b) NCI (cont'd)

The summary of financial information before intra-group elimination for the combining entities' subsidiaries that has material NCI is as below:-

	31.12.2020		31.12.2019		31.12.2018		31.12.2017	
	Pnexsoft Sdn. Bhd. RM	Pekat Ledsystems Sdn. Bhd. RM	Pnexsoft Sdn. Bhd. RM	Pekat Ledsystems Sdn. Bhd. RM	Pnexsoft Sdn. Bhd. RM	Pekat Ledsystems Sdn. Bhd. RM	Enersave Lighting Sdn. Bhd. RM	E&LP Engineering Sdn. Bhd. RM
Summary of financial position								
Non-current assets	150,054	-	212,000	-	-	-	-	-
Current assets	159,496	-	82,613	968	30,942	1,089	-	-
Current liabilities	(75,894)	-	(54,497)	(107,796)	(10)	(93,156)	-	-
Net assets/(liabilities)	233,656	-	240,116	(106,828)	30,932	(92,067)	-	-
Summary of financial performance								
Revenue	326,025	-	211,400	-	-	-	-	14,592,845
(Loss)/Profit for the financial year/Total comprehensive (loss)/income for the financial year	(6,460)	(2,759)	209,184	(14,761)	(269,068)	(3,531)	214,418	154,485
Summary of cash flows								
Net cash flows from/(used in) operating activities	58,086	(5,080)	240,270	(13,311)	(269,058)	(40,801)	(11)	1,320,047
Net cash flows (used in)/from investing activities	(5,378)	-	(264,999)	-	-	-	-	47
Net cash flows (used in)/from financing activities	(13,450)	4,970	-	13,190	300,000	40,801	-	(1,232,983)
Net cash flows	39,258	(110)	(24,729)	(121)	30,942	-	(11)	87,111

12. ACCOUNTANTS' REPORT (Cont'd)**17. LEASE LIABILITIES**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Minimum lease payments				
- Within 1 year	286,872	653,222	621,180	506,339
- Between 2 to 5 years	419,284	643,690	918,334	1,043,802
	706,156	1,296,912	1,539,514	1,550,141
Less: Future finance charges on lease liabilities	(53,377)	(94,062)	(108,822)	(128,175)
Present value of lease liabilities	<u>652,779</u>	<u>1,202,850</u>	<u>1,430,692</u>	<u>1,421,966</u>
Present value of lease liabilities				
- Within 1 year	260,795	605,966	560,013	442,006
- Between 2 to 5 years	391,984	596,884	870,679	979,960
	<u>652,779</u>	<u>1,202,850</u>	<u>1,430,692</u>	<u>1,421,966</u>

The lease liabilities of the combining entities are secured by means of the following:-

- (a) Guarantee from a Director; and
- (b) Motor vehicles as disclosed in Note 4 to the combined financial statements.

Interest charged on lease liabilities of the combining entities ranged from 4.18% to 6.82% (31.12.2019: 2.20% to 6.82%, 31.12.2018: 2.66% to 6.82% and 31.12.2017: 4.18% to 6.55%) per annum.

The expenses related to payments not included in the measurement of lease liabilities is as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Short-term leases	1,403,844	1,259,334	1,249,942	1,290,486
Low-value assets	-	1,680	-	-

18. BORROWINGS

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Current				
Secured:-				
Bankers' acceptances	13,225,277	11,388,005	12,752,725	6,219,987
Term loans	492,954	4,007,229	783,654	785,471
Bank overdraft	-	272,112	-	-
	<u>13,718,231</u>	<u>15,667,346</u>	<u>13,536,379</u>	<u>7,005,458</u>
Non-current				
Secured:-				
Term loans	<u>13,330,885</u>	<u>4,055,466</u>	<u>8,060,700</u>	<u>8,808,501</u>

12. ACCOUNTANTS' REPORT (Cont'd)**18. BORROWINGS (CONT'D)**

The borrowings of the combining entities are secured by means of the following:-

- (a) Guarantee by Credit Guarantee Corporation Malaysia Berhad;
- (b) Corporate guarantees executed by subsidiaries;
- (c) Jointly and severally guaranteed by Directors of the combining entities;
- (d) Third party all money first party legal charge over the three storey detached factory;
- (e) Pledge of fixed deposits with licensed banks as disclosed in Note 14 to the combined financial statements; and
- (f) Pledge of freehold land with a licensed bank as disclosed in Note 4 to the combined financial statements.

The effective interest of borrowings of the combining entities is as follow:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Bankers' acceptances	3.51-7.07%	4.87%-6.17%	4.87%-6.17%	4.71%-8.10%
Term loans	3.37-5.72%	5.08%-8.20%	5.12%-8.20%	5.10%-8.20%
Bank overdraft	-	7.82%-7.89%	-	-

The borrowings' of the combining entities is repayable by as follow:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Bankers' acceptances	1-6 months	1 - 6 months	1 - 6 months	1 - 6 months
Term loans	238 months	12-150 months	24-162 months	36-174 months
Bank overdraft	-	ROD*	-	-

*ROD – Repayable on demand

19. DEFERRED TAX LIABILITIES

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
At 1 January	57,000	93,000	-	22,247
Recognised in profit or loss (Note 29)	46,000	(4,000)	58,000	(73,669)
Under/(Over) provision in prior year	134,000	(32,000)	35,000	51,422
At 31 December	237,000	57,000	93,000	-

Deferred tax liabilities are made up of tax effect on temporary differences arising from:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Property, plant and equipment	182,000	57,000	93,000	-
Others	55,000	-	-	-
	237,000	57,000	93,000	-

12. ACCOUNTANTS' REPORT (Cont'd)**20. TRADE PAYABLES**

Trade payables of the combining entities are unsecured, non-interest bearing and the normal credit term granted by the suppliers ranged from 0 to 90 (31.12.2019: 30 to 90, 31.12.2018: 30 to 90 and 31.12.2017: 30 to 90) days.

21. OTHER PAYABLES

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Non-trade payables	1,246,958	1,423,889	381,585	390,709
Accrual of expenses	1,511,698	3,199,103	2,233,941	4,337,975
GST payable	-	-	30,317	622,105
	<u>2,758,656</u>	<u>4,622,992</u>	<u>2,645,843</u>	<u>5,350,789</u>

22. AMOUNT DUE TO DIRECTORS

The amount due to Directors represents non-trade transactions, which is unsecured, non-interest bearing and repayable on demand.

23. REVENUE**23.1 Disaggregated revenue information**

As disclosed in Note 37 to the combined financial statements.

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Types of good and services				
Geographical market				
Malaysia	<u>125,561,856</u>	<u>119,520,675</u>	<u>120,128,660</u>	<u>72,829,763</u>
Timing of recognition				
Goods transferred at a point in time	28,163,868	32,662,247	31,789,111	30,090,503
Services transferred over time	<u>97,397,988</u>	<u>86,858,428</u>	<u>88,339,549</u>	<u>42,739,260</u>
	<u>125,561,856</u>	<u>119,520,675</u>	<u>120,128,660</u>	<u>72,829,763</u>

23.2 Contract balances

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Trade receivables (Note 9)	29,166,688	23,868,417	23,554,258	18,421,092
Contract assets (Note 11)	23,970,695	14,760,753	19,342,858	9,549,544
Contract liabilities (Note 11)	<u>(8,716,278)</u>	<u>(7,505,558)</u>	<u>(19,007,966)</u>	<u>(18,700,545)</u>
Total revenue from contract with customers	<u>44,421,105</u>	<u>31,123,612</u>	<u>23,889,150</u>	<u>9,270,091</u>

12. ACCOUNTANTS' REPORT (Cont'd)

23. REVENUE (CONT'D)

23.2 Contract balances (cont'd)

The contract assets relate to the combining entities' rights to consideration for work completed but not billed at the reporting date on installation services for photovoltaic systems and earthing and lightning equipment. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the combining entities issue an invoice to the customer.

The contract liabilities primarily relate to the advance consideration received from customers for installation services for photovoltaic systems and earthing and lightning equipment. The revenue will be subsequently recognised when the performance obligations had been satisfied and invoice has been issued to the customer.

23.3 Performance obligations

Installation of on-grid and off-grid photovoltaic systems

The combining entities design, engineer, install, testing and provide maintenance of the photovoltaic systems for constructions customers. The timeline for each project usually ranges from 3 to 6 months, depends on the complexity of the design and area covered by the projects. The performance obligations are satisfied over time as the customers simultaneously receives and consumes the benefits provided by the combining entities.

Installation of earthing and lightning protection equipment on premises

The combining entities supply, design, engineer, install, testing and provide maintenance of the earthing and lightning protection equipment for constructions customers. The timeline for each project usually ranged from 3 to 24 months, depends on the complexity of the design, area covered by the projects and progress of the main contractor. The performance obligations are satisfied over time as the customers simultaneously receives and consumes the benefits provided by the combining entities.

Sales of solar equipment and lightning and surge protection equipment

The performance obligations is satisfied upon delivery of the equipment. The payment is generally due within 14 to 90 days from delivery.

The combining entities expect revenue from unsatisfied performance obligation to be recognised in the following financial years as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Financial years ending 31				
December				
- 2018	-	-	-	66,224,471
- 2019	-	-	90,334,237	-
- 2020	-	71,184,946	-	-
- 2021	<u>163,263,124</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (Cont'd)**24. OTHER INCOME**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Bad debts recovered	-	81,513	-	-
Bargain purchase on acquisition of a subsidiary	-	-	-	142,372
Dividend income	119,629	131,794	-	-
Fair value gain on other investments	5,608	-	7,546	-
Gain on disposal of subsidiaries	18,160	-	-	318,341
Gain on disposal of an associate	32	-	-	250,000
Gain on disposal of property, plant and equipment	2,000	-	77,297	393,995
Gain on termination of lease contracts	31,206	-	-	-
Insurance claimed	76,530	51,634	-	24,276
Management fee	277,180	-	-	-
PERKESO wages subsidy*	448,800	-	-	-
Realised gain on foreign exchange	-	-	144,083	192,406
Rental income of office	1,800	-	-	-
Rental income of equipment	-	-	-	12,000
Reversal of impairment loss on contract assets	-	-	29,498	-
Reversal of impairment loss on trade receivables	348,933	1,113,086	140,768	-
Reversal of impairment loss on inventories	179,397	74,290	-	-
Solar energy income	101,671	104,210	120,539	96,798
Unrealised gain on foreign exchange	-	137,258	8,469	38,173
Waiver of amount due to related parties	-	-	-	223,958

* PERKESO wage subsidy is under Pelan Jana Semula ("PENJANA") to assist employer which were affected with COVID-19.

12. ACCOUNTANTS' REPORT (Cont'd)
25. OTHER EXPENSES

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Fair value loss on other investments	-	6,332	-	-
Impairment loss on contract assets	637,598	283,715	-	-
Impairment loss on trade receivables	175,651	3,317,425	987,522	323,635
Impairment loss on inventories	-	414,529	-	218,063
Loss on disposal of a subsidiary	-	82,326	-	-
Loss on liquidation of subsidiaries	-	-	21,985	-
Realised loss on foreign exchange	21,250	141,703	-	-
Unrealised loss on foreign exchange	66,212	-	-	-
Written down of inventories	-	-	6,987	46,915
Written off of amount due from an associate	12,385	-	-	-
Written off of contract assets	-	12,529	-	-
Written off of inventories	-	82,365	-	-
Written off of trade receivables	286	-	89,889	14,948
Written off of other receivable	-	-	105,940	427,481
Written off of property, plant and equipment	3,585	4,114	-	-

26. FINANCE INCOME

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Interest income				
- fixed deposits	209,467	301,205	302,306	306,040
- an associate	8,198	-	-	-
- related parties	121,376	509,485	520,885	410,589
- unwinding of discount on trade receivables	41,096	13,122	-	-
- non-trade receivables	-	70,000	-	-

12. ACCOUNTANTS' REPORT (Cont'd)
27. FINANCE COSTS

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Interest expenses				
- bankers' acceptances	406,922	445,486	218,605	186,364
- bank guarantees	37,546	26,600	21,156	180,664
- bank overdraft	5,087	6,923	111,812	3,906
- forward contract	-	6,050	-	1,496
- lease liabilities	45,737	75,223	86,357	167,687
- letter of credit charges	27,086	6,372	71,448	-
- related parties	-	-	175	-
- term loans	330,149	467,763	513,296	490,423
- discount on trade receivables	<u>34,947</u>	<u>-</u>	<u>131,544</u>	<u>-</u>

28. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting) amongst other items, the following:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Charging the following:-				
Auditors' remuneration:-				
- current year	99,500	114,000	103,750	86,775
- predecessor auditor	-	-	9,180	-
- others	8,000	13,000	-	-
- (over)/under provision in prior year	-	(8,000)	688	2,000
Amortisation of intangible assets	179,937	96,809	-	-
Depreciation of property, plant and equipment	723,079	947,721	886,409	1,588,583
Directors' fee	204,000	1,024,000	324,000	324,000
Rental of equipment	-	1,680	-	17,583
Rental of office	1,183,280	960,000	960,000	1,140,000
Rental of staff hostel	13,400	43,450	57,350	108,087
Rental of warehouse	207,164	255,884	232,592	24,816
Provision for foreseeable loss	-	-	2,190,537	710,574
Share of loss in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,367</u>

12. ACCOUNTANTS' REPORT (Cont'd)
28. PROFIT BEFORE TAX (CONT'D)

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Crediting the following:-				
Reversal of provision for foreseeable loss	1,432,315	1,117,655	-	-
Share of profit in associates	<u>737,832</u>	<u>568,812</u>	<u>21,250</u>	<u>-</u>

29. TAX EXPENSE

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Current financial year provision	4,687,726	5,439,386	4,289,760	2,664,086
Over provision in prior year	<u>(59,059)</u>	<u>(584,029)</u>	<u>(47,209)</u>	<u>(12,816)</u>
	<u>4,628,667</u>	<u>4,855,357</u>	<u>4,242,551</u>	<u>2,651,270</u>
Deferred tax (Note 19)				
- current year	46,000	(4,000)	58,000	(73,669)
- under/(over) provision in prior year	<u>134,000</u>	<u>(32,000)</u>	<u>35,000</u>	<u>51,422</u>
	<u>180,000</u>	<u>(36,000)</u>	<u>93,000</u>	<u>(22,247)</u>
	<u>4,808,667</u>	<u>4,819,357</u>	<u>4,335,551</u>	<u>2,629,023</u>

12. ACCOUNTANTS' REPORT (Cont'd)**29. TAX EXPENSE (CONT'D)**

A reconciliation of tax expense applicable to profit before tax at the statutory tax rate to tax expense at the effective tax rate of the combining entities are as follows:-

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Profit before tax	<u>18,382,901</u>	<u>19,674,510</u>	<u>15,344,033</u>	<u>12,092,857</u>
At Malaysian statutory tax rate of 24% (31.12.2019: 24%, 31.12.2018: 24% and 31.12.2017: 24%)	4,411,896	4,721,882	3,682,568	2,902,286
Tax effects in respect of:-				
Changes in tax rate for the first tranche of chargeable income	(144,828)	(170,814)	(136,839)	(115,000)
Expenses not deductible for tax purposes	480,508	1,519,659	941,097	178,903
Income not subject to tax	(181,760)	(635,341)	(139,066)	(379,324)
Movement of deferred tax assets not recognised	167,910	-	-	3,552
Over provision of tax expense in prior year	(59,059)	(584,029)	(47,209)	(12,816)
Under/(Over) provision of deferred tax in prior year	<u>134,000</u>	<u>(32,000)</u>	<u>35,000</u>	<u>51,422</u>
Total tax expense	<u>4,808,667</u>	<u>4,819,357</u>	<u>4,335,551</u>	<u>2,629,023</u>

Deferred tax assets have not been recognised in respect of the following items (stated at gross) for certain subsidiaries due to uncertainty of future taxable income of the subsidiaries. However, the deductible temporary differences, unabsorbed business loss, unabsorbed capital allowances are available for offset against future taxable profits of the respective subsidiaries.

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Unabsorbed business losses	699,623	-	-	13,323
Other deductible temporary differences	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,475</u>

Effective Year of Assessment 2019 as announced in the Annual Budget 2019, the unused tax losses of the combining entities as of 31 December 2020 and thereafter will only be available for carry forward for a period of 7 consecutive years. Upon expiry of the 7 years, the unabsorbed tax losses will be disregarded.

The expiry of unabsorbed business losses are as follows:-

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
Year of assessment 2026	-	-	-	13,323
Year of assessment 2027	<u>699,623</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (Cont'd)**30. EARNINGS PER SHARE**Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit net of tax for the financial year attributable to ordinary equity holders of combining entities by the weighted average number of ordinary shares in issue during the financial years.

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Profit attributable to owners of the combining entities	<u>13,576,172</u>	<u>14,793,750</u>	<u>11,096,435</u>	<u>9,360,499</u>
Weighted average number of ordinary shares for basic earnings per share	<u>550,220</u>	<u>550,220</u>	<u>550,020</u>	<u>550,020</u>
Basic earnings per share	<u>2,467</u>	<u>2,689</u>	<u>2,017</u>	<u>1,702</u>

Diluted earnings per shares

For the purpose of calculating diluted earnings per share, the profit for the financial year attributable to ordinary equity holders of the combining entities and the weighted average number of ordinary shares in issue during the financial years have been adjusted for the dilutive effects of all potential ordinary shares.

There are no diluted earnings per shares presented for the financial years 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017 as the combining entities do not have options and convertible shares.

12. ACCOUNTANTS' REPORT (Cont'd)
31. DIVIDENDS

During the financial year, the following dividends have been paid by the combining entities to the owners of the combining entities:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
In respect of the financial years ended: -				
A interim tax exempt dividend of RM1,017,537 declared and paid on 5 September 2018	-	-	1,017,537	-
A interim tax exempt dividend of RM474,000 declared on 21 May 2019 and paid on 23 May 2019	-	474,000	-	-
A interim tax exempt dividend of RM300,000 declared on 4 November 2019 and paid on 11 November 2019	-	300,000	-	-
A interim tax exempt dividend of RM500,000 declared on 31 December 2019 and paid on 13 January 2020	-	500,000	-	-
An interim tax exempt dividend of RM500,000 declared on 16 March 2020 and paid on 18 March 2020	500,000	-	-	-
	<u>500,000</u>	<u>1,274,000</u>	<u>1,017,537</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (Cont'd)**32. EMPLOYEE BENEFIT EXPENSES**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Salaries, wages and other emoluments	11,405,973	12,500,405	10,912,907	9,047,156
Social security contributions	114,035	111,040	93,451	76,277
Defined contribution plans	1,494,184	1,568,873	1,367,827	1,139,177
Other benefits	903,967	1,738,379	772,856	1,372,699
	<u>13,918,159</u>	<u>15,918,697</u>	<u>13,147,041</u>	<u>11,635,309</u>

Included in the employee benefit expenses is the Directors' remuneration as below:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Directors' emolument				
Salaries and other emoluments	2,145,123	1,731,362	1,572,182	1,014,057
Fee	204,000	1,024,000	324,000	324,000
Defined contribution plans	396,325	247,426	179,907	162,643
	<u>2,745,448</u>	<u>3,002,788</u>	<u>2,076,089</u>	<u>1,500,700</u>

Included in the employee benefit expenses is the key management personnel as below:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Key management personnel				
Salaries and other emoluments	687,310	853,747	327,313	205,406
Defined contribution plans	111,386	88,465	41,220	25,735
	<u>798,696</u>	<u>942,212</u>	<u>368,533</u>	<u>231,141</u>

12. ACCOUNTANTS' REPORT (Cont'd)**33. RELATED PARTY DISCLOSURES****(a) Related party transactions:-**

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Sales to an associate	12,763,194	11,875,786	2,941,851	321,442
Interest income from associates	8,198	-	-	-
Interest income from related parties	121,376	509,485	520,885	410,589
Interest expenses paid to a related party	-	-	(175)	-
Management fee from an associate	(277,180)	-	-	-
Rental expenses from a related party	(1,047,000)	(1,236,000)	(1,200,000)	(1,200,000)
Rental of factory from a related party	-	(75,900)	(25,300)	-
Solar energy income from a Director	101,671	104,210	120,539	96,798
Disposal of motor vehicles to Directors	-	-	-	1,515,000

(b) The outstanding balances arising from related party transactions at the reporting date was disclosed in Notes 12, 13 and 22 to the combined financial statements.

(c) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the combining entities either directly or indirectly provides key management personnel to the combining entities.

The key management personnel includes all the Directors of the combining entities and certain member of senior management of the combining entities.

The remuneration of key management personnel is disclosed in Note 32 to the combined financial statements.

34. COMMITMENTS

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Capital expenditure authorised and contracted for:-				
- Property, plant and equipment	-	15,399,000	-	-

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS****Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Financial assets measured at amortised cost ("FA");
 (b) Fair value through profit or loss ("FVTPL"); and
 (c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
<u>31.12.2020</u>				
Financial assets				
Other investments	1,158,588	-	1,158,588	-
Trade receivables	29,166,688	29,166,688	-	-
Other receivables	1,789,101	1,789,101	-	-
Amount due from associate	9,240,536	9,240,536	-	-
Fixed deposits with licensed banks	9,135,078	9,135,078	-	-
Cash and bank balances	15,076,049	15,076,049	-	-
	<u>65,566,040</u>	<u>64,407,452</u>	<u>1,158,588</u>	<u>-</u>
Financial liabilities				
Borrowings	27,049,116	-	-	27,049,116
Trade payables	20,184,381	-	-	20,184,381
Other payables	2,758,656	-	-	2,758,656
	<u>49,992,153</u>	<u>-</u>	<u>-</u>	<u>49,992,153</u>
<u>31.12.2019</u>				
Financial assets				
Other investments	9,507,538	-	9,507,538	-
Trade receivables	23,868,417	23,868,417	-	-
Other receivables	2,656,079	2,656,079	-	-
Amount due from associate	4,911,737	4,911,737	-	-
Amount due from related parties	10,226,919	10,226,919	-	-
Fixed deposits with licensed banks	7,661,134	7,661,134	-	-
Cash and bank balances	8,234,644	8,234,644	-	-
	<u>67,066,468</u>	<u>57,558,930</u>	<u>9,507,538</u>	<u>-</u>
Financial liabilities				
Borrowings	19,722,812	-	-	19,722,812
Trade payables	11,768,025	-	-	11,768,025
Other payables	4,622,992	-	-	4,622,992
Amount due to an associate	207,855	-	-	207,855
Amount due to Directors	500,000	-	-	500,000
	<u>36,821,684</u>	<u>-</u>	<u>-</u>	<u>36,821,684</u>

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Categories of financial instruments**

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Financial assets measured at amortised cost ("FA");
 (b) Fair value through profit or loss ("FVTPL"); and
 (c) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	FVTPL RM	OFL RM
<u>31.12.2018</u>				
Financial assets				
Other investments	47,546	-	47,546	-
Trade receivables	23,554,258	23,554,258	-	-
Other receivables	1,694,515	1,694,515	-	-
Amount due from associates	1,803,756	1,803,756	-	-
Amount due from related parties	9,697,530	9,697,530	-	-
Fixed deposits with licensed banks	10,497,302	10,497,302	-	-
Cash and bank balances	7,946,584	7,946,584	-	-
	<u>55,241,491</u>	<u>55,193,945</u>	<u>47,546</u>	<u>-</u>
Financial liabilities				
Borrowings	21,597,079	-	-	21,597,079
Trade payables	5,520,700	-	-	5,520,700
Other payables	2,615,526	-	-	2,615,526
Amount due to Directors	118,614	-	-	118,614
	<u>29,851,919</u>	<u>-</u>	<u>-</u>	<u>29,851,919</u>
<u>31.12.2017</u>				
Financial assets				
Trade receivables	18,421,092	18,421,092	-	-
Other receivables	2,955,223	2,955,223	-	-
Amount due from associates	399,717	399,717	-	-
Amount due from related parties	10,348,277	10,348,277	-	-
Fixed deposits with licensed banks	6,882,228	6,882,228	-	-
Cash and bank balances	13,831,111	13,831,111	-	-
	<u>52,837,648</u>	<u>52,837,648</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Borrowings	15,813,959	-	-	15,813,959
Trade payables	4,725,098	-	-	4,725,098
Other payables	4,728,684	-	-	4,728,684
Amount due to related parties	1,000	-	-	1,000
Amount due to Directors	127,598	-	-	127,598
	<u>25,396,339</u>	<u>-</u>	<u>-</u>	<u>25,396,339</u>

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies****35.1 Financial risk**

The combining entities are exposed to financial risks arising from its operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the combining entities' business whilst managing its risk, liquidity risk, interest risk, foreign currency risk and market rate risk. The combining entities operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process. The combining entities have not actively engage in the trading of financial assets for speculative purposes nor do they write options.

The main areas of financial risks faced by the combining entities and the policies in respect of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the combining entities if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is controlled by the application of credit evaluation and approvals, credit limits and monitoring procedures.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Trade receivables and contract assets

An impairment analysis performed at each reporting date using a provision of matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance).

Set out below is the information about the credit risk exposure and ECLs on the combining entities' trade receivables and contract assets which are grouped together as they are expected to have similar risk nature:-

	31.12.2020			31.12.2019		
	Gross carrying amount RM	Loss allowance RM	Net balances RM	Gross carrying amount RM	Loss allowance RM	Net balances RM
Current (Not past due)	11,844,007	(1,719,414)	10,124,593	15,590,729	(2,092,758)	13,497,971
1-30 days past due	12,382,304	(104,812)	12,277,492	4,521,135	(8,620)	4,512,515
31-60 days past due	3,356,725	(36,070)	3,320,655	1,525,367	(3,944)	1,521,423
61-90 days past due	2,011,452	(29,777)	1,981,675	816,809	(2,124)	814,685
More than 90 days past due	3,207,337	(1,745,064)	1,462,273	5,257,861	(1,736,038)	3,521,823
	<u>32,801,825</u>	<u>(3,635,137)</u>	<u>29,166,688</u>	<u>27,711,901</u>	<u>(3,843,484)</u>	<u>23,868,417</u>
Trade receivables	32,801,825	(3,635,137)	29,166,688	27,711,901	(3,843,484)	23,868,417
Contract assets	24,895,000	(924,305)	23,970,695	15,047,460	(286,707)	14,760,753
	<u>57,696,825</u>	<u>(4,559,442)</u>	<u>53,137,383</u>	<u>42,759,361</u>	<u>(4,130,191)</u>	<u>38,629,170</u>

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(a) Credit risk (cont'd)****Trade receivables and contract assets (cont'd)**

Set out below is the information about the credit risk exposure and ECLs on the combining entities' trade receivables and contract assets which are grouped together as they are expected to have similar risk nature (cont'd):-

	31.12.2018			31.12.2017		
	Gross carrying amount RM	Loss allowance RM	Net balances RM	Gross carrying amount RM	Loss allowance RM	Net balances RM
Current (Not past due)	12,953,143	(35,928)	12,917,215	12,079,033	(71,680)	12,007,353
1-30 days past due	6,159,224	(19,167)	6,140,057	1,932,476	-	1,932,476
31-60 days past due	1,229,304	(11,894)	1,217,410	1,811,302	(91,468)	1,719,834
61-90 days past due	1,182,004	(17,302)	1,164,702	1,210,356	(46,183)	1,164,173
More than 90 days past due	3,880,886	(1,766,012)	2,114,874	2,391,474	(794,218)	1,597,256
	<u>25,404,561</u>	<u>(1,850,303)</u>	<u>23,554,258</u>	<u>19,424,641</u>	<u>(1,003,549)</u>	<u>18,421,092</u>
Trade receivables	25,404,561	(1,850,303)	23,554,258	19,424,641	(1,003,549)	18,421,092
Contract assets	19,345,850	(2,992)	19,342,858	9,582,034	(32,490)	9,549,544
	<u>44,750,411</u>	<u>(1,853,295)</u>	<u>42,897,116</u>	<u>29,006,675</u>	<u>(1,036,039)</u>	<u>27,970,636</u>

The movement in the allowance of impairment losses in respect of the trade receivables and contract assets were disclosed in Notes 9 and 11 to the combined financial statements.

Cash and cash equivalent

The combining entities are exposed to significant concentration of credit risk with 77% (31.12.2019: 92%, 31.12.2018: 84% and 31.12.2017: 98%) as the deposits with banks are placed in only one (31.12.2019: one, 31.12.2018: four and 31.12.2017: five) banks.

As at the reporting date, there is no indication that bank balance is not recoverable since the counterparty is a reputable bank with high quality external credit rating.

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(a) Credit risk (cont'd)****Intercompany advances**

The maximum exposure to credit risk is represented by their carrying amounts in the combined statement of financial position.

The combining entities provide unsecured advances to associates/related parties and monitors the result of associates/related parties regularly.

As at the end of the reporting period, there was no indicator that the advances to associates /related parties are not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the combining entities will not be able to meet its financial obligations as they fall due to shortage of funds.

In managing its exposures to liquidity risk arising principally from its various payables, the combining entities maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The combining entities aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping sources of committed and uncommitted credit facilities from various banks.

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

	Carrying amount RM	Contractual cash flows RM	Current Within 1 year RM	Non-current	
				2 to 5 years RM	More than 5 years RM
<u>31.12.2020</u>					
Financial liabilities					
Trade payables	20,184,381	20,184,381	20,184,381	-	-
Other payables	2,758,656	2,758,656	2,758,656	-	-
Borrowings	27,049,116	31,616,275	14,100,147	4,199,376	13,316,752
Lease liabilities	652,779	706,156	286,872	419,284	-
	<u>50,644,932</u>	<u>55,265,468</u>	<u>37,330,056</u>	<u>4,618,660</u>	<u>13,316,752</u>

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(a) Liquidity risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Current Within 1 year RM	Non-current 2 to 5 years RM	More than 5 years RM
31.12.2019					
Financial liabilities					
Trade payables	11,768,025	11,768,025	11,768,025	-	-
Other payables	4,622,992	4,622,992	4,622,992	-	-
Amount due to an associate	207,855	207,855	207,855	-	-
Amount due to Directors	500,000	500,000	500,000	-	-
Borrowings	19,722,812	21,483,499	16,093,437	2,693,915	2,696,147
Lease liabilities	1,202,850	1,296,912	653,222	643,690	-
	<u>38,024,534</u>	<u>39,879,283</u>	<u>33,845,531</u>	<u>3,337,605</u>	<u>2,696,147</u>
31.12.2018					
Financial liabilities					
Trade payables	5,520,700	5,520,700	5,520,700	-	-
Other payables	2,615,526	2,615,526	2,615,526	-	-
Amount due to a Director	118,614	118,614	118,614	-	-
Borrowings	21,597,079	23,849,486	14,013,468	6,644,158	3,191,860
Lease liabilities	1,430,692	1,539,514	621,180	918,334	-
	<u>31,282,611</u>	<u>33,643,840</u>	<u>22,889,488</u>	<u>7,562,492</u>	<u>3,191,860</u>

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(b) Liquidity risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations are as below:-

	Carrying amount RM	Contractual cash flows RM	Current Within 1 year RM	Non-current	
				2 to 5 years RM	More than 5 years RM
<u>31.12.2017</u>					
Financial liabilities					
Trade payables	4,725,098	4,725,098	4,725,098	-	-
Other payables	4,728,684	4,728,684	4,728,684	-	-
Amount due to related parties	1,000	1,000	1,000	-	-
Amount due to a Director	127,598	127,598	127,598	-	-
Borrowings	15,813,959	18,535,159	7,498,028	7,376,895	3,660,236
Lease liabilities	<u>1,421,966</u>	<u>1,550,141</u>	<u>506,339</u>	<u>1,043,802</u>	<u>-</u>
	<u>26,818,305</u>	<u>29,667,680</u>	<u>17,586,747</u>	<u>8,420,697</u>	<u>3,660,236</u>

(c) Interest rate risk

Interest rate risk is caused by changes in market interest rate resulting in fluctuation in fair value or future cash flow of financial instruments of the combining entities. The combining entities' interest rate management objective is to manage interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation.

The combining entities' borrowings at variable interest rates are exposed to the risk of change in cash flow due to changes in interest rate. Investment short-term deposits does not significantly expose to interest rate risk.

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(c) Interest rate risk (cont'd)****Interest rate sensitivity analysis**

The combining entities are exposed to changes in market interest rates through bank borrowings at variable interest rates. The following is interest rate profile of the significant interest-bearing financial instruments, based on carrying amounts as at the reporting date:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Fixed rate instruments				
<u>Financial assets</u>				
Amount due from associates	1,200,000	-	-	-
Amount due from related parties	-	2,430,001	1,336,888	1,413,462
Fixed deposits with licensed banks	9,135,078	7,661,134	10,497,302	6,882,228
<u>Financial liabilities</u>				
Bankers' acceptances	(13,225,277)	(11,388,055)	(12,752,725)	(6,219,987)
Amount due to related parties	-	-	-	(1,000)
	<u>(2,890,199)</u>	<u>(1,296,920)</u>	<u>(918,535)</u>	<u>2,074,703</u>
Floating rate instruments				
<u>Financial asset</u>				
Amount due from related parties	-	7,796,918	8,371,104	8,930,888
<u>Financial liability</u>				
Term loans	(13,823,839)	(8,062,695)	(8,844,354)	(9,593,972)
Bank overdraft	-	(272,112)	-	-
	<u>(13,823,839)</u>	<u>(537,889)</u>	<u>(473,250)</u>	<u>(663,084)</u>

The following illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/-25 (31.12.2019: +/-25, 31.12.2018: +/-25 and 31.12.2017: +/-25) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(c) Interest rate risk (cont'd)****Interest rate sensitivity analysis (cont'd)**

	Effect on profit for the financial years	
	RM	RM
31.12.2020 (+/- 25bp)	(34,556)	34,556
31.12.2019 (+/- 25bp)	(1,345)	1,345
31.12.2018 (+/- 25bp)	(1,183)	1,183
31.12.2017 (+/- 25bp)	(1,658)	1,658

(d) Foreign currency risk

The combining entities are exposed to foreign currency risk on sales and purchases transactions denominated in currency other than functional currencies of the combining entities' respective entities. The currencies giving rise to this risk are primarily Euro ("EURO"), United States Dollar ("USD"), Renminbi ("RMB") and Swiss Franc ("CHF").

Carrying amounts of the combining entities' exposure to foreign currency risk are as follows:-

	<u>EURO</u> RM	<u>USD</u> RM	<u>RMB</u> RM	<u>CHF</u> RM
<u>31.12.2020</u>				
Financial assets				
Trade receivables	-	38,477	-	-
Other receivables	1,069	1,127,893	-	1,357
Cash and bank balances	-	4,834	-	-
Financial liabilities				
Trade payables	(42,858)	(8,586,877)	(413,791)	-
Net exposure	<u>(41,789)</u>	<u>(7,415,673)</u>	<u>(413,791)</u>	<u>1,357</u>
<u>31.12.2019</u>				
Financial assets				
Trade receivables	-	586,611	-	-
Other receivables	1,014	320,411	-	-
Cash and bank balances	-	4,930	-	-
Financial liabilities				
Trade payables	(1,881)	(5,700,852)	(633,200)	-
Other payables	-	(87,485)	-	-
Net exposure	<u>(867)</u>	<u>(4,876,385)</u>	<u>(633,200)</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (Cont'd)
35. FINANCIAL INSTRUMENTS (CONT'D)
Financial risk management objectives and policies (cont'd)
35.1 Financial risk (cont'd)
(d) Foreign currency risk (cont'd)

Carrying amounts of the combining entities' exposure to foreign currency risk are as follows (cont'd):-

	<u>EURO</u> RM	<u>USD</u> RM	<u>RMB</u> RM
<u>31.12.2018</u>			
Financial asset			
Other receivables	-	924,299	-
Financial liability			
Trade payables	(9,584)	(404,935)	-
Net exposure	<u>(9,584)</u>	<u>519,364</u>	<u>-</u>
<u>31.12.2017</u>			
Financial asset			
Other receivables	292	1,580,713	-
Financial liability			
Trade payables	(51,775)	(1,027,377)	(247,796)
Net exposure	<u>(51,483)</u>	<u>553,336</u>	<u>(247,796)</u>

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the combining entities' net financial assets/liabilities and the RM/EURO exchange rate, RM/USD exchange rate, RM/RMB and RM/CHF exchange rate and assuming all other things being equal.

	<u>31.12.2020</u> RM	<u>31.12.2019</u> RM	<u>31.12.2018</u> RM	<u>31.12.2017</u> RM
RM/EURO				
Strengthened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>(418)</u>	<u>(9)</u>	<u>(96)</u>	<u>(515)</u>
Weakened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>418</u>	<u>9</u>	<u>96</u>	<u>515</u>

12. ACCOUNTANTS' REPORT (Cont'd)
35. FINANCIAL INSTRUMENTS (CONT'D)
Financial risk management objectives and policies (cont'd)
35.1 Financial risk (cont'd)
(d) Foreign currency risk (cont'd)
Foreign currency sensitivity analysis (cont'd)

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
RM/USD				
Strengthened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>(74,157)</u>	<u>(48,764)</u>	<u>5,194</u>	<u>5,533</u>
Weakened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>74,157</u>	<u>48,764</u>	<u>(5,194)</u>	<u>(5,533)</u>
RM/RMB				
Strengthened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>(4,138)</u>	<u>(6,332)</u>	<u>-</u>	<u>(2,478)</u>
Weakened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>4,138</u>	<u>6,332</u>	<u>-</u>	<u>2,478</u>
RM/CHF				
Strengthened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>14</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weakened 1% (31.12.2019: 1%, 31.12.2018: 1% and 31.12.2017: 1%)	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (Cont'd)**35. FINANCIAL INSTRUMENTS (CONT'D)****Financial risk management objectives and policies (cont'd)****35.1 Financial risk (cont'd)****(e) Market rate risk**

Market price risk is the risk that the fair value or future cash flows of the combining entities' financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The combining entities are exposed to equity price risk arising from its investment in quoted instruments. These investments are managed by UOB Asset Management (Malaysia) Berhad and are fair value through profit or loss or financial assets measure at fair value through other comprehensive income.

The combining entities do not expect any material impact on its combined financial statements.

36. FAIR VALUE HIERACHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities of the combining entities as at the end of the reporting period approximate their fair values due to their short-term nature, or that they are floating rate instruments that are re-priced to market interest rate on or near the end of the reporting period.

The combining entities enter into forward exchange contracts to manage its exposure to sales and purchases transactions that are denominated in USD. The fair value of the foreign currency forward contract have not been recognised in the combined financial statements due to its immateriality as at the end of the reporting period. The notional value of foreign currency forward contracts as the financial year end are as follows:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Foreign currency hedging contracts				
Notional value of contracts*	<u>-</u>	<u>-</u>	<u>1,305,779</u>	<u>1,223,878</u>

* Equivalent to Nil (31.12.2019: Nil, 31.12.2018: USD300,000 and RMB 79,000 and 31.12.2017: USD295,551).

12. ACCOUNTANTS' REPORT (Cont'd)

37. OPERATING SEGMENT

For the management purposes, the combining entities are organised into business units based on their products and services, which comprises the following:-

- Segment I : Design, supply and installation of on-grid and off-grid solar photovoltaic systems and power plants which also includes the entire scope of work up to delivering of system or plant to customers. Solar photovoltaic systems and power plants convert sunlight into electricity for use at a facility, supply to the power grid, or storage in a battery pack for later use.

- Segment II : Supply and installation of earthing and lightning protection systems for buildings, facilities and structures to protect people, property and equipment from unintended electric current as well as providing specialist subcontractors for earthing and lightning protection systems to main contractors or mechanical and electrical contractors.

- Segment III : Distribution of electrical products and accessories which includes sales and marketing of Pekat own brand and other third party brands electrical products and accessories, namely for earthing and lightning related products, solar photovoltaic related products, surge protection devices, and aviation warning light systems.

Performance is measured based on segment profit before tax, interest, depreciation. Segment profit is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operates within these industries.

Transfer prices between operating segments are on a negotiated basis in a similar manner to transactions with third parties.

12. ACCOUNTANTS' REPORT (Cont'd)**37. OPERATING SEGMENT (CONT'D)**

31.12.2020	Note	Segment I	Segment II	Segment III	Eliminations	Total
Revenue		RM	RM	RM	RM	RM
External revenue		72,106,910	26,414,434	27,040,512	-	125,561,856
Inter-company revenue	A	26,646	108,774	23,723,157	(23,858,577)	-
Total revenue		72,133,556	26,523,208	50,763,669		125,561,856
Results						
Segment results		6,322,493	4,360,140	8,126,415	(656,642)	18,152,406
Finance income		151,472	60,776	235,440	(67,551)	380,137
Finance costs		(355,104)	(33,550)	(568,882)	70,062	(887,474)
Share of profit in associates		-	-	-	737,832	737,832
Profit before tax		6,118,861	4,387,366	7,792,973		18,382,901
Tax expense		(1,510,110)	(1,248,532)	(2,050,025)	-	(4,808,667)
Profit for the financial year		4,608,751	3,138,834	5,742,948		13,574,234
Assets						
Segment assets		51,082,897	25,087,634	63,261,597	(16,769,088)	122,663,040
Investment in associates		-	-	821,553	1,327,926	2,149,479
Total assets		51,082,897	25,087,634	64,083,150		124,812,519
Liabilities						
Segment liabilities		34,927,449	10,860,295	29,364,098	(15,790,632)	59,361,210
Deferred tax liabilities		60,000	65,000	112,000	-	237,000
Tax payable		680,963	199,371	458,219	-	1,338,553
Total liabilities		35,668,412	11,124,666	29,934,317		60,936,763
Other information						
Addition to non-current assets*		191,648	53,031	18,280,217	-	18,524,896
Amortisation		-	-	179,937	-	179,937
Depreciation		241,067	148,580	387,864	(54,432)	723,079
Non-cash (income)/expenses other than depreciation and amortisation	B	(102,266)	(1,304,509)	(565,385)	730,597	(1,241,563)

* Property, plant and equipment

12. ACCOUNTANTS' REPORT (Cont'd)**37. OPERATING SEGMENT (CONT'D)**

31.12.2019	Note	Segment I	Segment II	Segment III	Eliminations	Total
Revenue		RM	RM	RM	RM	RM
External revenue		58,773,607	30,458,900	30,288,168	-	119,520,675
Inter-company revenue	A	37,199	100,686	24,962,439	(25,100,324)	-
Total revenue		58,810,806	30,559,586	55,250,607		119,520,675
Results						
Segment results		8,584,325	4,579,175	7,832,277	(1,749,474)	19,246,303
Finance income		465,294	39,359	683,724	(294,565)	893,812
Finance costs		(565,507)	(33,546)	(748,573)	313,209	(1,034,417)
Share of profit in associates		-	-	-	568,812	568,812
Profit before tax		8,484,112	4,584,988	7,767,428		19,674,510
Tax expense		(1,777,421)	(1,334,000)	(1,707,936)	-	(4,819,357)
Profit for the financial year		6,706,691	3,250,988	6,059,492		14,855,153
Assets						
Segment assets		38,055,465	22,999,332	55,890,664	(20,038,658)	96,906,803
Tax recoverable		-	-	10,838	-	10,838
Investment in associates		-	-	821,585	590,062	1,411,647
Total assets		38,055,465	22,999,332	56,723,087		98,329,288
Liabilities						
Segment liabilities		26,047,932	11,300,318	27,160,082	(18,978,240)	45,530,092
Deferred tax liabilities		30,000	-	27,000	-	57,000
Tax payable		1,021,799	524,880	393,995	-	1,940,674
Total liabilities		27,099,731	11,825,198	27,581,077		47,527,766
Other information						
Addition to non-current assets*		649,586	117,185	559,015	-	1,325,786
Amortisation		-	-	96,809	-	96,809
Depreciation		251,112	258,676	655,658	(217,725)	947,721
Non-cash expenses/(income) other than depreciation and amortisation	B	572,424	882,466	(375,143)	549,505	1,629,252

* Property, plant and equipment

12. ACCOUNTANTS' REPORT (Cont'd)**37. OPERATING SEGMENT (CONT'D)**

31.12.2018	Note	Segment I	Segment II	Segment III	Eliminations	Total
Revenue		RM	RM	RM	RM	RM
External revenue		54,814,104	34,024,975	31,289,581	-	120,128,660
Inter-company revenue	A	306,864	943,157	27,168,649	(28,418,670)	-
Total revenue		55,120,968	34,968,132	58,458,230		120,128,660
Results						
Segment results		2,756,540	4,206,463	8,981,880	(290,898)	15,653,985
Finance income		364,863	126,025	642,828	(310,525)	823,191
Finance costs		(590,322)	(49,773)	(854,682)	340,384	(1,154,393)
Share of profit in associates		-	-	-	21,250	21,250
Profit before tax		2,531,081	4,282,715	8,770,026		15,344,033
Tax expense		(846,352)	(1,117,859)	(2,371,340)	-	(4,335,551)
Profit for the financial year		1,684,729	3,164,856	6,398,686		11,008,482
Assets						
Segment assets		35,963,692	21,361,752	43,006,913	(12,137,160)	88,195,197
Tax recoverable		362,075	-	104,152	-	466,227
Investment in associates		-	-	367,530	21,250	388,780
Total assets		36,325,767	21,361,752	43,478,595		89,050,204
Liabilities						
Segment liabilities		31,731,724	12,652,523	18,143,219	(12,206,572)	50,320,894
Deferred tax liabilities		45,000	-	48,000	-	93,000
Tax payable		-	436,083	930,878	-	1,366,961
Total liabilities		31,776,724	13,088,606	19,122,097		51,780,855
Other information						
Addition to non-current assets*		422,810	233,716	339,117	-	995,643
Depreciation		226,948	288,420	588,766	(217,725)	886,409
Non-cash expenses/(income) other than depreciation and amortisation	B	(1,482)	2,963,187	215,592	(38,015)	3,139,282

* Property, plant and equipment

12. ACCOUNTANTS' REPORT (Cont'd)**37. OPERATING SEGMENT (CONT'D)**

31.12.2017	Note	Segment I	Segment I	Segment III	Eliminations	Total
Revenue		RM	RM	RM	RM	RM
External revenue		14,936,665	33,108,835	24,784,263	-	72,829,763
Inter-company revenue	A	703,488	1,460,806	27,565,651	(29,729,945)	-
Total revenue		15,640,153	34,569,641	52,349,914		72,829,763
Results		14,936,665	33,108,835	24,698,830		
Segment results		490,272	4,895,450	6,979,399	99,014	12,464,135
Finance income		205,634	72,374	619,365	(180,744)	716,629
Finance costs		(452,818)	(22,122)	(745,440)	189,840	(1,030,540)
Share of loss in associates		-	-	-	(57,367)	(57,367)
Profit before tax		243,088	4,945,702	6,853,324		12,092,857
Tax expense		(97,433)	(824,747)	(1,706,843)	-	(2,629,023)
Profit for the financial year		145,655	4,120,955	5,146,481		9,463,834
Assets						
Segment assets		20,835,862	20,141,376	46,924,158	(14,395,803)	73,505,593
Tax recoverable		539,104	-	124,092	-	663,196
Total assets		21,374,966	20,141,376	47,048,250		74,168,789
Liabilities						
Segment liabilities		18,633,135	14,874,469	27,624,073	(14,990,722)	46,140,955
Tax payable		-	112,587	726,843	-	839,430
Total liabilities		18,633,135	14,987,056	28,350,916		46,980,385
Other information						
Addition to non-current assets*		56,611	90,606	1,398,120	-	1,545,337
Depreciation		160,155	259,100	1,223,760	(54,432)	1,588,583
Non-cash expenses/(income) other than depreciation and amortisation	B	123,265	918,473	(440,248)	(226,713)	374,777

* Property, plant and equipment

12. ACCOUNTANTS' REPORT (Cont'd)**37. OPERATING SEGMENT (CONT'D)**

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the combined financial statements.

A. Intersegment revenues are eliminated on combined financial statements.

B. Other material non-cash (income)/expenses consist of the following items as presented in the respective notes to the combined financial statements:-

	<u>31.12.2020</u>	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Bargain purchase on acquisition of a subsidiary	-	-	-	(142,372)
Dividend income	(119,629)	(131,794)	-	-
Fair value (gain)/loss on other investment	(5,608)	6,332	(7,546)	-
Gain on disposal of an associate (Gain)/ Loss on disposal of a subsidiary	(32)	-	-	(250,000)
Gain on disposal of property, plant and equipment	(18,160)	82,326	-	(318,341)
Gain on termination of lease contracts	(2,000)	-	(77,297)	(393,995)
Impairment loss on contract assets	(31,206)	-	-	-
Impairment loss on trade receivables	637,598	283,715	-	-
Impairment loss on inventories	175,651	3,317,425	987,522	323,635
Loss on liquidation of subsidiaries	-	414,529	-	218,063
Provision for foreseeable losses	-	-	21,985	-
Reversal of provision for foreseeable losses	-	-	2,190,537	710,574
Reversal of impairment loss on contract assets	(1,432,315)	(1,117,655)	-	-
Reversal of impairment loss on trade receivables	-	-	(29,498)	-
Reversal of impairment loss on inventories	(348,933)	(1,113,086)	(140,768)	-
Unrealised loss/(gain) on foreign exchange	(179,397)	(74,290)	-	-
Waiver of amount due to related parties	66,212	(137,258)	(8,469)	(38,173)
Written off of amount due from an associate	-	-	-	(223,958)
Written off of contract assets	12,385	-	-	-
Written off of inventories	-	12,529	-	-
Written off of trade receivables	-	82,365	-	-
Written off of other receivables	286	-	89,889	14,948
Written off of property, plant and equipment	-	-	105,940	427,481
Written down of inventories	3,585	4,114	-	-
	-	-	6,987	46,915
	<u>(1,241,563)</u>	<u>1,629,252</u>	<u>3,139,282</u>	<u>374,777</u>

12. ACCOUNTANTS' REPORT (Cont'd)**37. OPERATING SEGMENT (CONT'D)**Geographical information

Revenue are all derived from Malaysia.

Non-current assets are all based in Malaysia.

Major customer

There is one (31.12.2019: one, 31.12.2018: Nil and 31.12.2017: Nil) major customer contributing to ten percent (10%) or more of total revenue of the combining entities.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarises the methods used in determining the fair value of financial asset on a recurring basis as at 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017:-

Financial asset	Fair value as at				Fair value hierarchy	Valuation techniques and key inputs
	31.12.2020 RM	31.12.2019 RM	31.12.2018 RM	31.12.2017 RM		
Other investments	<u>Asset</u> 1,158,588	<u>Asset</u> 9,507,538	<u>Asset</u> 47,546	<u>Asset</u> -	Level 2	The fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

There were no transfers between Level 1, Level 2 and Level 3 in financial years 2020, 2019, 2018 and 2017.

39. FAIR VALUE HIERACHY OF FINANCIAL INSTRUMENTS

As at the end of the reporting date, the combining entities has no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented other than disclosed in Note 38 to the combined financial statements.

12. ACCOUNTANTS' REPORT (Cont'd)

40. CAPITAL MANAGEMENT

The primary objective of the combining entities' capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The combining entities manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the combining entities may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. No changes were made in the objective, policies or processes during the financial years ended 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017.

41. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

Coronavirus Disease 2019

The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since end 2019 has seen significant cases increased worldwide which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and continued to be implemented across the world. The Malaysia Government imposed the Movement Control Order ("MCO"), Conditional Movement Control Order ("CMCO") and Recovery Movement Control Order ("RMCO") at various stages in various states from 18 March 2020 up to the date of this report. Consequently, these restrictions are expected to have material adverse effects on Malaysia's economy for 2020. The deterioration of world economy has also created additional uncertainties to the business of the combining entities in 2020.

As at the date of this report, the management of the combining entities have assessed the overall impact of the situation on the combining entities' operations and financial position, and it is concluded that there are no material effects on the financial statements for the financial year ended 31 December 2020. The management is unable to reliably estimate the financial impact of COVID-19 on the combining entities' financial results for the financial year ending 31 December 2021 as the pandemic has yet to run its full course hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the financial year ending 31 December 2021.

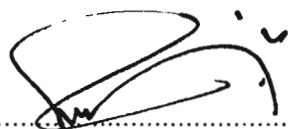
12. ACCOUNTANTS' REPORT (Cont'd)

PEKAT GROUP BERHAD

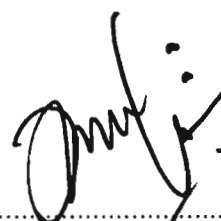
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of the combining entities, do hereby state that, in our opinion, the accompanying combined financial statements set out on pages 4 to 92 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position as at 31 December 2020, 31 December 2019, 31 December 2018, and 31 December 2017, and of its combined financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2019, 31 December 2018, and 31 December 2017.



CHIN SOO MAU



WEE CHEK AIK



TAI YEE CHEE

Kuala Lumpur
3 May 2021

**13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED
STATEMENTS OF FINANCIAL POSITION**

PEKAT GROUP BERHAD
(Registration No: 201901011563 (1320891-U))
(Incorporated in Malaysia)

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)



**REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
COMPILATION OF PRO FORMA COMBINED STATEMENTS
OF FINANCIAL POSITION**

Date: 3 May 2021

The Board of Directors
Pekat Group Berhad
3A, 5 & 6 Teknologi Kubik
No. 6, Jalan Teknologi 3/4
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs,

**REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF
FINANCIAL POSITION INCLUDED IN A PROSPECTUS**

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of Pekat Group Berhad and of its subsidiaries (collectively known as "the combining entities" or "Pekat Group") as at 31 December 2020.

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors based on the applicable criteria as specified in the Prospectus Guidelines issued by the Securities Commission ("Prospectus Guidelines") and described in the notes as set out in Basis of Preparation of Pro Forma Combined Statements of Financial Position ("Applicable Criteria").

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors for illustrative purposes only and for inclusion into the prospectus of Pekat Group in connection with the listing of and quotation for the entire enlarged issued share capital of Pekat Group on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

As part of this process, information about the combining entities' combined financial position has been extracted by the Directors from the audited consolidated statement of financial position of Pekat Teknologi Sdn. Bhd. and its subsidiaries ("Pekat Holding") as at 31 December 2020, on which was reported by us to the members of Pekat Holding on 19 April 2021 without any modification.

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 of the Applicable Criteria.

Grant Thornton Malaysia PLT

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

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F +603 2691 5229

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (*Cont'd*)



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 Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion as required by the Securities Commission, about whether the Pro Forma Combined Statements of Financial Position have been properly compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

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 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 of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma 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 impact of a significant event or transaction or unadjusted financial information on the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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 of the Applicable Criteria 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, 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.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)



Our Responsibility (cont'd)

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 of the Applicable Criteria.

Other Matters

This letter has been prepared at your request for inclusion in the Prospectus of Pekat Group Berhad 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 letter contrary to the aforesaid purpose.

Yours faithfully,

A stylized, handwritten signature in black ink, likely representing the firm's representative.

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

Kuala Lumpur
3 May 2021

A handwritten signature in black ink, belonging to OOI POH LIM.

OOI POH LIM
(NO: 03087/10/2021(J))
CHARTERED ACCOUNTANT
PARTNER

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)**PEKAT GROUP BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**

The Pro Forma Combined Statements of Financial Position of Pekat Group as at 31 December 2020 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 December 2020, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position.

ASSETS													
Non-current assets													
Property, plant and equipment	3.01	-	20,072,877	20,072,877	-	20,072,877	18,000,000	38,072,877					
Intangible assets	3.02	-	640,408	640,408	-	640,408	-	640,408					
Investment in associates	3.03	-	2,149,479	2,149,479	-	2,149,479	-	2,149,479					
Trade receivables	3.04	-	245,953	245,953	-	245,953	-	245,953					
Total non-current assets			23,108,717	23,108,717		23,108,717		41,108,717					
Current assets													
Other investments	3.05	-	1,158,588	1,158,588	-	1,158,588	-	1,158,588					
Inventories	3.06	-	11,018,942	11,018,942	-	11,018,942	-	11,018,942					
Trade receivables	3.04	-	28,920,735	28,920,735	-	28,920,735	-	28,920,735					
Other receivables	3.07	6,360	3,176,819	3,183,179	-	3,183,179	(1,143,317)	2,039,862					
Contract assets	3.08	-	23,970,695	23,970,695	-	23,970,695	-	23,970,695					
Amount due from associates	3.09	-	9,240,536	9,240,536	-	9,240,536	-	9,240,536					
Fixed deposits with licensed banks	3.10	-	9,135,078	9,135,078	-	9,135,078	-	9,135,078					
Cash and bank balances	3.11	20	15,076,029	15,076,049	44,373,760	59,449,809	(30,756,683)	28,693,126					
Total current assets			101,703,802	146,077,562		146,077,562		114,177,562					
Total assets			124,812,519	169,186,279		169,186,279		155,286,279					

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03 MAY 2021
GRANT THORNTON MALAYSIA P.L.T.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONT'D)

The Pro Forma Combined Statements of Financial Position of Pekat Group as at 31 December 2020 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 December 2020, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position (cont'd).

EQUITY AND LIABILITIES												
EQUITY												
Equity attributable to owners of												
Pekat Group Berhad:-												
Share capital	3.12	20	50,630,000	50,630,020	44,373,760	95,003,780	(1,900,000)	93,103,780				
Merger deficit	3.13	-	(50,079,980)	(50,079,980)	-	(50,079,980)	-	(50,079,980)				
Retained earnings/(Accumulated losses)	3.14	(37,787)	63,293,406	63,255,619	-	63,255,619	(2,000,000)	61,255,619				
Non-controlling interests	3.15	(37,767)	70,097	63,805,659	-	108,179,419	-	104,279,419				
		-		70,097		70,097		70,097				
Total equity		(37,767)		63,875,756		108,249,516		104,349,516				
LIABILITIES												
Non-current liabilities												
Lease liabilities	3.16	-	391,984	391,984	-	391,984	-	391,984				
Borrowings	3.17	-	13,330,885	13,330,885	-	13,330,885	(10,000,000)	3,330,885				
Deferred tax liabilities	3.18	-	237,000	237,000	-	237,000	-	237,000				
Total non-current liabilities		-		13,959,869		13,959,869		3,959,869				

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03 MAY 2021
GRANT THORNTON MALAYSIA PLT

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONT'D)

The Pro Forma Combined Statements of Financial Position of Pekat Group as at 31 December 2020 as set out below are provided for illustrative purposes only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Combined Statements of Financial Position on the assumption that these transactions were completed on 31 December 2020, and should be read in conjunction with the notes accompanying to the Pro Forma Combined Statements of Financial Position (cont'd).

EQUITY AND LIABILITIES (CONT'D)									
LIABILITIES (CONT'D)									
Current liabilities									
Trade payables	3.19	-	20,184,381	20,184,381	-	20,184,381	-	20,184,381	20,184,381
Other payables	3.20	44,147	2,714,509	2,758,656	-	2,758,656	-	2,758,656	2,758,656
Contract liabilities	3.21	-	8,716,278	8,716,278	-	8,716,278	-	8,716,278	8,716,278
Lease liabilities	3.16	-	260,795	260,795	-	260,795	-	260,795	260,795
Borrowings	3.17	-	13,718,231	13,718,231	-	13,718,231	-	13,718,231	13,718,231
Tax payable	3.22	-	1,338,553	1,338,553	-	1,338,553	-	1,338,553	1,338,553
Total current liabilities		44,147	46,976,894	46,976,894		46,976,894		46,976,894	46,976,894
Total liabilities		44,147	60,936,763	60,936,763		60,936,763		60,936,763	50,936,763
Total equity and liabilities		6,380	124,812,519	124,812,519		169,186,279		169,186,279	155,286,279
Issued ordinary share capital (Unit)	3.12	200	506,300,000	506,300,200	138,668,000	644,968,200	-	644,968,200	644,968,200
Net (liabilities)/assets per share attributable to owners of Pekat Group Berhad (RM)		(188.84)	0.13	0.13		0.17		0.16	0.16
Lease liabilities and Borrowings		-	27,701,895	27,701,895		27,701,895		27,701,895	17,701,895
Gearing ratio (Unit)		-	0.43	0.43		0.26		0.17	0.17

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GRANT THORNTON MALAYSIA PLT
0 MAY 2021

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

1. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position of Pekat Group have been prepared for illustrative purposes and on the assumptions that all the transactions mentioned as per Note 2 to the Pro Forma Combined Statements of Financial Position had taken place on 31 December 2020.

The Pro Forma Combined Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those disclosed in the audited consolidated financial statements of Pekat Teknologi Sdn. Bhd. and its subsidiaries ("Pekat Holding") for the financial year ended 31 December 2020 and in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Prospectus Guidelines, except for the adoption of the following new accounting policy:-

Merger method of accounting

The Pro Forma Combined Statements of Financial Position are combined using the merger method as these companies are under the common control by the same party both before and after the acquisition of Pekat Holding. When the merger method is used, the difference between the cost of investment recorded by Pekat Group and the share capital of the subsidiary are accounted for as merger deficit in the Pro Forma Combined Statements of Financial Position.

Pekat Holding is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within Pekat Holding, which participated in the reorganisation exercise was under common control before and immediately after the reorganisation exercise. Pekat Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the state of the earliest period presented in the financial statements.

2. LISTING SCHEME

(i) Pro Forma I: Acquisition of Pekat Holding ("Acquisition")

Acquisition

The Acquisition entails acquiring the entire equity interest of Pekat Holding, for total purchase consideration of RM50,630,000 to be satisfied via the issuance of 506,300,000 new shares at an issue price of RM0.10 per share based on the consolidated net assets of Pekat Holding as at 31 December 2019.

The acquisition was completed on 17 March 2021.

(ii) Pro Forma II: Proposed Public Issue ("IPO")

The IPO involves a public issue of 138,668,000 new ordinary shares in Pekat Group at an indicative issue/offer price of RM0.32 per share.

In conjunction with the IPO, Pekat Group shall seek the listing and quotation of its entire enlarged issued share capital comprising 644,968,200 ordinary shares in Pekat Group on the ACE Market of Bursa Malaysia Securities Berhad.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
PEKAT GROUP BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
2. LISTING SCHEME (CONT'D)
(iii) Pro Forma III: Proposed Utilisation of Proceeds from IPO

Gross proceeds from the IPO of RM44,373,760 are expected to be utilised as follows:-

Details of use of proceeds	Estimated timeframe for the use of proceeds upon Listing	RM	% of total gross proceeds from the Public Issue
Capital expenditures			
- Construction of new head office and operational facility	March 2023	18,000,000	40.56
Repayment of bank borrowings*	3 months ⁽¹⁾	10,000,000	22.54
Working capital	12 months ⁽¹⁾	12,673,760	28.56
Estimated listing expenses [#]	1 month ⁽¹⁾	3,700,000	8.34
Total estimated proceeds		44,373,760	100.00

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

Notes:

* After IPO, Pekat Group will early repay the said bank borrowings by IPO proceeds of RM10,000,000. As a result of the early partial settlement, a penalty of RM200,000 will be incurred.

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

The listing expenses are estimated at RM3,700,000 in which RM1,143,317 has been paid as prepayment and recognised in other receivables. The said prepayment will be subsequently set off against share capital and the remaining of RM2,556,683 are settled by utilisation of proceeds from IPO. The apportionment of estimated listing expenses between the share capital and profit or loss is disclosed in Notes 3.13 and 3.15 to the Pro Forma Combined Statements of Financial Position.

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

3.01 PROPERTY, PLANT AND EQUIPMENT

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

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>20,072,877</u>
As per Pro Forma I to II	20,072,877
Pursuant to Proposed Utilisation of Proceeds from IPO	
- Capital expenditure	<u>18,000,000</u>
As per Pro Forma III	<u><u>38,072,877</u></u>

3.02 INTANGIBLE ASSETS

The movements in intangible assets are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>640,408</u>
As per Pro Forma I to III	<u><u>640,408</u></u>

3.03 INVESTMENT IN ASSOCIATES

The movements in investment in associates are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>2,149,479</u>
As per Pro Forma I to III	<u><u>2,149,479</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)
PEKAT GROUP BERHAD AND ITS SUBSIDIARIES
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)
3.04 TRADE RECEIVABLES

The movements in trade receivables are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	
- Non-current assets	245,953
- Current assets	<u>28,920,735</u>
As per Pro Forma I to III	<u><u>29,166,688</u></u>

3.05 OTHER INVESTMENTS

The movements in other investments are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>1,158,588</u>
As per Pro Forma I to III	<u><u>1,158,588</u></u>

3.06 INVENTORIES

The movements in inventories are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>11,018,942</u>
As per Pro Forma I to III	<u><u>11,018,942</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.07 OTHER RECEIVABLES

The movements in other receivables are as follows:-

	RM
As at 31 December 2020	6,360
Pursuant to Acquisition	<u>3,176,819</u>
As per Pro Forma I to II	3,183,179
Pursuant to Proposed Utilisation of Proceeds from IPO - Listing expenses	<u>(1,143,317)</u>
As per Pro Forma III	<u><u>2,039,862</u></u>

3.08 CONTRACT ASSETS

The movements in contract assets are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>23,970,695</u>
As per Pro Forma I to III	<u><u>23,970,695</u></u>

3.09 AMOUNT DUE FROM ASSOCIATES

The movements in amount due from associates are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>9,240,536</u>
As per Pro Forma I to III	<u><u>9,240,536</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.10 FIXED DEPOSITS WITH LICENSED BANKS

The movements in fixed deposits with licensed banks are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>9,135,078</u>
As per Pro Forma I to III	<u><u>9,135,078</u></u>

3.11 CASH AND BANK BALANCES

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

	RM
As at 31 December 2020	20
Pursuant to Acquisition	<u>15,076,029</u>
As per Pro Forma I	15,076,049
Pursuant to Proposed Public Issue (IPO)	<u>44,373,760</u>
As per Pro Forma II	59,449,809
Pursuant to Proposed Utilisation of Proceeds from IPO	
- Capital expenditure	(18,000,000)
- Repayment of bank borrowings	(10,000,000)
- Penalty of early settlement of bank borrowings	(200,000)
- Listing expenses	<u>(2,556,683)</u>
As per Pro Forma III	<u><u>28,693,126</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.12 SHARE CAPITAL

The movements in share capital are as follows:-

	RM
As at 31 December 2020	20
Pursuant to Acquisition	<u>50,630,000</u>
As per Pro Forma I	50,630,020
Pursuant to Proposed Public Issue (IPO)	<u>44,373,760</u>
As per Pro Forma II	95,003,780
Pursuant to Proposed Utilisation of Proceeds from IPO	
- Listing expenses	<u>(1,900,000)</u>
As per Pro Forma III	<u><u>93,103,780</u></u>

The apportionment of listing expenses are estimated at RM1,900,000 and will be set off against the share capital accordingly, which comprise of incremental costs that are directly attributable to issuing of new shares and apportionment of cost that are relates to shares issuance and listing on the proportion of new shares issued to the total number of enlarged share capital after IPO.

3.13 MERGER DEFICIT

The movements in merger deficit are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>(50,079,980)</u>
As per Pro Forma I to III	<u><u>(50,079,980)</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.14 RETAINED EARNINGS/(ACCUMULATED LOSSES)

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

	RM
As at 31 December 2020	(37,787)
Pursuant to Acquisition	<u>63,293,406</u>
As per Pro Forma I to II	63,255,619
Pursuant to Proposed Utilisation of Proceeds from IPO	
- Penalty of early settlement of bank borrowings	(200,000)
- Listing expenses	<u>(1,800,000)</u>
As per Pro Forma III	<u><u>61,255,619</u></u>

The apportionment of listing expenses are estimated at RM1,800,000 and will be set off against the retained earnings accordingly, which comprise of cost that relate to stock market listing which are neither incremental nor directly attributable to issuing of new shares.

3.15 NON-CONTROLLING INTERESTS

The movements in non-controlling interests are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>70,097</u>
As per Pro Forma I to III	<u><u>70,097</u></u>

3.16 LEASE LIABILITIES

The movements in lease liabilities are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	
- Non-current liabilities	391,984
- Current liabilities	<u>260,795</u>
As per Pro Forma I to III	<u><u>652,779</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.17 BORROWINGS

The movements in borrowings are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	
- Non-current liabilities	13,330,885
- Current liabilities	<u>13,718,231</u>
As per Pro Forma I to II	27,049,116
Pursuant to Proposed Utilisation of Proceeds from IPO	
- Repayment of bank borrowings	<u>(10,000,000)</u>
As per Pro Forma III	<u><u>17,049,116</u></u>

3.18 DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>237,000</u>
As per Pro Forma I to III	<u><u>237,000</u></u>

3.19 TRADE PAYABLES

The movements in trade payables are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>20,184,381</u>
As per Pro Forma I to III	<u><u>20,184,381</u></u>

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (Cont'd)

PEKAT GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

3. NOTES TO PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.20 OTHER PAYABLES

The movements in other payables are as follows:-

	RM
As at 31 December 2020	44,147
Pursuant to Acquisition	<u>2,714,509</u>
As per Pro Forma I to III	<u><u>2,758,656</u></u>

3.21 CONTRACT LIABILITIES

The movements in contract liabilities are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>8,716,278</u>
As per Pro Forma I to III	<u><u>8,716,278</u></u>

3.22 TAX PAYABLE

The movements in tax payable are as follows:-

	RM
As at 31 December 2020	-
Pursuant to Acquisition	<u>1,338,553</u>
As per Pro Forma I to III	<u><u>1,338,553</u></u>

14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we only have 1 class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) Save for 5,143,000 Shares under the Pink Form Allocations as disclosed in Section 4.4.2(ii),
 - (a) no Director, employee or business associate of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
 - (b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (iii) Save for the new Shares issued and to be issued pursuant to the Acquisition of Pekat Teknologi, the Public Issue and as disclosed in Sections 6.2.2 and 4.4.2 respectively and the 200 Shares subscribed by Chin Pay Yee and Ting Pei Jing, no shares of our Company or our subsidiary have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (iv) Other than our Public Issue as disclosed in Section 4.4.2, there is no intention on the part of our Directors to further issue any Shares.
- (v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

14.2 CONSTITUTION

The following provisions are extracted from our Company's Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Company's Constitution are based on the current Listing Requirements and the Act.

(1) Remuneration, voting and borrowing power of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing power of Directors are as follows:

Clause 91 - Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman shall be entitled to a casting vote in addition to any other vote he may have.

Clause 110 - Remuneration of Directors

Subject to this Constitution, the fees and benefits of the Directors shall be annually determined by the Company in general meeting PROVIDED ALWAYS that:

14. STATUTORY AND OTHER INFORMATION (Cont'd)

- (1) Directors' fees and benefits payable to Directors not holding any executive office in the Company shall be a fixed sum and shall not be payable by a commission on or percentage of profits or turnover;
- (2) Salaries payable to Directors holding any executive office pursuant to a contract of service need not be determined by the Company in general meeting but such salaries may not include a commission on or a percentage of turnover;
- (3) All remuneration payable to Directors shall be deemed to accrue from day to day;
- (4) Fees and benefits payable to Directors shall not be increased except pursuant to a resolution passed by the Company in general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (5) Any fee and benefit paid to an alternate Director shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

Clause 111 - Expenses

The Directors may be paid all travelling, hotel and other reasonable expenses, properly and reasonably incurred by them in the execution of their duties including any such expenses incurred in connection with attending and returning from meetings of the Directors or any committee of Directors or general or other meetings of the Company or in connection with the business of the Company in the course of the performance of their duties as Directors.

Clause 112 - Special remuneration

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to:

- (1) render any special or extra services to the Company; or
- (2) to go or reside outside his country of domicile or residence in connection with the conduct of any of the Company's affairs.

Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be paid in a lump sum or by way of salary, or by all or any of such methods but shall not include (where such special remuneration is paid by way of salary) a commission on or a percentage of turnover.

Clause 145 - Right to regulate proceedings

Subject to this Constitution, the Directors may meet together for the despatch of business at such date, time and place, adjourn and otherwise regulate their meetings and proceedings as they think fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall (subject to Clause 149) have a second or casting vote.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 149 - Where no casting vote

When 2 Directors form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only 2 Directors are competent to vote on the question at issue, shall not have a casting vote. Otherwise in the case of an equality of votes the Chairman shall have a second or casting vote.

Clause 152 - Directors' resolution in writing

A resolution in writing signed by a majority of the Directors for the time being or their alternates not being less than 2 Directors shall be as valid and effectual as if it had been passed by a meeting of Directors duly called and constituted. Any such resolution may consist of several documents in like form each signed by 1 or more Directors. Any such document, may be accepted as sufficiently signed by a Director if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message purporting to include a signature of a Director but a resolution signed by an alternate Director need not also be signed by his appointor and, if it is signed by a Director who has appointed an alternate Director, it need not be signed by the alternate Director in that capacity. A signed Directors' Circular Resolution transmitted by facsimile (fax) or any other electronic means shall be deemed to be an original.

Clause 153 - Disqualification from voting

Except as otherwise provided by this Constitution, a Director shall not vote at a meeting of Directors or of a committee of Directors on any resolution concerning any contract, proposed contract, arrangement or other matter in which he has, directly or indirectly, a personal interest or duty which is material and which conflicts or may conflict with the interests of the Company unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

- (1) in a case where the contract or proposed contract relates to any loan to the company that he has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or
- (2) in a case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a Related Corporation - that he is a director of that corporation.

For avoidance of doubt, a Director shall be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

Clause 154 - Separation of resolutions

Where proposals under consideration are concerning or relating to the terms of employment, consultancy or other services of or to be provided by Directors to or with the Company or any body corporate in which the Company is interested or other related matters, the proposals may be divided and considered in relation to each Director separately and (provided he is not for another reason precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 155 - Questions on right to vote

If a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to vote, the question may, before the conclusion of the meeting, be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive.

Clause 125 - General borrowing powers

Except as provided by Clause 126, the Directors may exercise all the powers of the Company to borrow money of any sum or sums from any person, bank, firm or company and to mortgage or charge its undertaking, property and uncalled capital, and any part thereof and to issue debentures and other securities, whether as primary or collateral security for any debt, liability or obligation of the Company, its subsidiaries or any other party. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.

Clause 126 - Restrictions on borrowing

The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

(2) Changes to share capital

Clause 66 - Consolidation, division and cancellation

The Company may by special resolution:

- (1) consolidate and divide all or any of its share capital;
- (2) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and/or
- (3) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided shares is derived.

Anything done in pursuance of this Clause shall be done in such manner provided and subject to any conditions imposed by the Act, so far as they shall be applicable, and, so far as they shall not be applicable, in accordance with the terms of the resolution authorising the same, and, so far as such resolution shall not be applicable, in such manner as the Directors deem most expedient.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 69 - Reduction of capital

The Company may by special resolution in accordance with Section 115 of the Act reduce its share capital in the manner as authorised by law. The Company shall give notice to the Registrar in accordance with the Act of such alteration in capital.

Clause 70 - Resolution to increase capital

Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its capital by the allotment of shares carrying such rights and restrictions, as the resolution specifies provided that where the capital of the Company consists of shares of different voting rights (if specified in such resolution) shall be prescribed in such a manner that a unit of capital in each class, shall carry such different voting power when such right is exercisable.

(3) Transfer of securities

Clause 40 - Transfer of securities

The transfer of any listed securities or class of listed securities of the Company shall be made by way of book entry by the Depository in accordance with the Depository Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall not be required to register or effect any transfer of the listed securities.

Clause 41 - Execution requirements

The instrument of transfer lodged with the Company shall be executed by or on behalf of the transferor and the transferee and the transferor shall be deemed to remain the holder of the share until the transferee's name is entered in the Register as the holder of that share and/or the Record of Depositors, as the case may be.

Clause 4 - Directors' right to decline registration

The Directors may decline to register any instrument of transfer of shares which are not fully paid (whether these are quoted or otherwise) to a person whom they do not approve. Subject to the Act, the Listing Requirements, the Central Depositories Act and the Depository Rules, if the Directors refuse to register a transfer they shall send to the transferee written notice of the refusal and reasons therefore.

Clause 43 - Depository's' right to refuse transfer

The Depository may, in its absolute discretion, refuse to register any transfer that does not comply with the Central Depositories Act and the Depository Rules.

Clause 44 - Transfer fully paid securities

Subject to the Central Depositories Act and the Depository Rules, any Member may transfer all or any of its securities by instrument in writing in the form prescribed and approved by the Exchange and the Registrar (as the case may be). Subject to this Constitution, there shall be no restriction on the transfer of fully paid-up shares except where required by law. The instruments shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the shares transferred

14. STATUTORY AND OTHER INFORMATION (Cont'd)

until the transfer is registered and the name of the transferee is entered in the Register and/or Record of Depositors as the case may be, in respect thereof. All transfers of deposited securities shall be effected by way of book entry by the Depository in accordance with the Depository Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

(4) Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 7 - Classes of Shares

The shares in the original or any increased capital may be divided into several classes and there may be attached thereto respectively any preferential, deferred or other special rights, privilege, conditions or restriction as to dividends, capital, voting or otherwise.

Clause 8 - Variation of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may (subject to Section 90 of the Act and whether or not the Company is being wound up) be varied or abrogated in accordance with Section 91 of the Act.

Clause 11 - No deemed variation

Subject to Section 91 of the Act, the rights attached to any class shall not (unless otherwise provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking in any respect *pari passu* with that class.

Clause 12 - Issue of securities

Subject to the Act and this Constitution, the Directors may offer, issue, allot (with or without conferring a right of renunciation) shares of the Company (whether forming part of the original or any increased capital), grant options over, grant any right or rights to subscribe for such shares or any right or rights to convert any Security into such shares, or otherwise deal with or dispose of them to such persons at such times and on such terms and conditions as they may determine.

Clause 13 - Restrictions on issue

- (1) The Company shall not offer, issue, allot, grant options over shares, grant any right or right to subscribe for shares or any right or rights to convert any security into shares or otherwise deal with or dispose of shares which will or may have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meeting;
- (2) No Director shall participate in a Share issuance scheme unless the Members in general meeting have approved the specific allotment to such Director; and
- (3) The rights attached to shares of a class other than ordinary shares shall be expressed in the resolution creating them.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 14 - Rights attached to shares

Subject to the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or as the Directors (subject to them being duly authorised to do so by an ordinary resolution of the Company) may determine.

Clause 21 - Redeemable preference shares

Subject to the Act and this Constitution, any preference shares may with the sanction of an ordinary resolution of shareholders in general meeting be issued on terms that they are, or at the option of the Company are liable to be redeemed on such terms and in such manner as may be provided for by this Constitution as the Board may think fit.

Clause 23 - Rights of preference shares

Preference shareholders shall have:

- (1) the same rights as ordinary shareholders as regards:
 - (a) receiving notices, reports and audited accounts; and
 - (b) attending general meetings of the Company; and
- (2) the right to vote at any meeting convened for the purposes of reducing the capital, or to wind up the Company and during the winding up of the Company, or disposing the whole of the Company's property, business and undertaking or on a proposal directly affecting the rights and privileges attached to the preference shares or when the dividend or part of the dividend on the preference shares is in arrears for more than 6 months,

unless determined otherwise by shareholders of the Company in general meeting.

Clause 24 - Repayment of preference capital

The repayment of any preference capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the preference capital concerned within 2 months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Clause 95 – Vote of members

Subject to Clause 74 or to any special rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, on a show of hands, every Member or a holder of preference shares who:

- (1) being an individual, is present in person or by proxy or attorney; or
- (2) being a corporation, is present by a duly authorised representative or by proxy or attorney,

14. STATUTORY AND OTHER INFORMATION (Cont'd)

and on a show of hands every eligible Member or a holder of preference shares shall have 1 vote except where he has been appointed by more than one member entitled to vote on the resolution and he has been instructed:-

- (a) by one or more of those Members to vote for the motion and by one or more of those members to vote against the motion; or
- (b) by one or more of those Members to vote in the same way on the motion (whether for or against) and one or more of those Members has given him the discretion as to how to vote

in which case, he shall have 1 vote for and 1 vote against the motion and on a poll every Member shall have 1 vote for every share of which he is the holder. On a poll, votes may be given either personally or by proxy or by attorney or by a duly authorised representative of a corporate Member. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.

Clause 97 - No vote unless calls paid

No Member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy or attorney, in respect of any share held by him unless all calls and other moneys presently payable by him in respect of that share have been paid.

Clause 169 - Proportionality

Unless otherwise provided by the rights attached to shares or the terms of their issue, all dividends shall be declared and paid proportionately to the capital paid-up on the shares on which the dividend is paid, but if any shares are issued on terms providing that they shall rank for dividend as from a specified date or to a specified extent, they shall rank for dividend accordingly. Any dividend may be expressed to be payable on a specified date to persons registered on some earlier date as the holders of the shares in respect of which the dividend is declared, notwithstanding that such persons may not be so registered on the date of the declaration or payment.

Clause 197 - Application of balance of assets

On a winding up of the Company, the balance of the assets available for distribution among the Members shall (subject to any special rights attaching to any class of shares) be applied in repaying to the Members the amounts of any surplus assets belonging to the holders of any issued ordinary shares according to the respective numbers of shares held by them or, if there are no issued ordinary shares, to the holders of any issued unclassified shares according to the respective numbers of shares held by them.

Clause 198 - Division in specie

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the Members in specie the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of

14. STATUTORY AND OTHER INFORMATION (Cont'd)

the Members as he with the like sanction determines, but no Member shall be compelled to accept any assets on which there is a liability.

14.3 GENERAL INFORMATION

- (i) Save for the purchase consideration paid to the shareholders of our subsidiary pursuant to the Acquisition of Pekat Teknologi as disclosed in Section 6.2.2, Directors' remuneration as disclosed in Section 5.2.4, dividends paid to our Promoters as disclosed in Section 11.13, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoter, Director or substantial shareholder.
- (ii) Save as disclosed in Section 9.1, none of our Directors or substantial shareholders has any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the procedures for application of our Shares are set out in Section 15.
- (iv) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.4 CHANGES IN SHARE CAPITAL

As at the LPD, our share capital is RM50,630,020 comprising 506,300,200 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration	Cumulative share capital
		RM	RM
5 April 2019	200	20.00	20.00
17 March 2021	506,300,000	50,630,000.00	50,630,020.00

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

Upon completion of our IPO, our enlarged share capital will be increased to RM95,003,780 comprising 644,968,200 Shares from the issuance of 138,668,000 Issue Shares.

The share capital of our subsidiaries is as follows.

14. STATUTORY AND OTHER INFORMATION (Cont'd)**14.4.1 Pekat Teknologi**

As at the LPD, Pekat Teknologi's share capital is RM550,020 comprising 550,020 ordinary shares.

The changes in the share capital of Pekat Teknologi since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
5 August 1999	2	2.00	2.00
27 September 1999	20,000	20,000.00	20,002.00
6 November 2000	30,000	30,000.00	50,002.00
21 June 2004	5,000	5,000.00	55,002.00
25 June 2004	495,018	495,018.00	550,020.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pekat Teknologi. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Details of the subsidiaries and associated companies of Pekat Teknologi are set out below.

14.4.2 Pekat Solar

As at the LPD, Pekat Solar's share capital is RM1,200,000 comprising 1,200,000 ordinary shares.

The changes in the share capital of Pekat Solar since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
22 November 2010	2,000	2,000.00	2,000.00
1 February 2011	48,000	48,000.00	50,000.00
28 February 2012	100,000	100,000.00	150,000.00
30 December 2013	350,000	350,000.00	500,000.00
1 November 2016	700,000	700,000.00	1,200,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pekat Solar. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.3 Pekat E&LP

As at the LPD, Pekat E&LP's share capital is RM1,000,000 comprising 1,000,000 ordinary shares.

14. STATUTORY AND OTHER INFORMATION (Cont'd)

The changes in the share capital of Pekat E&LP since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
22 November 2010	2,000	2,000.00	2,000.00
1 February 2011	48,000	48,000.00	50,000.00
28 February 2012	100,000	100,000.00	150,000.00
1 May 2016	350,000	350,000.00	500,000.00
15 October 2017	500,000	500,000.00	1,000,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pekat E&LP. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.4 Pekat Engineering

As at the LPD, Pekat Engineering's share capital is RM150,000 comprising 150,000 ordinary shares.

The changes in the share capital of Pekat Engineering since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
22 November 2010	2,000	2,000.00	2,000.00
1 February 2011	48,000	48,000.00	50,000.00
28 February 2012	100,000	100,000.00	150,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pekat Engineering. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.5 E&LP Engineering

As at the LPD, E&LP Engineering's share capital is RM500,000 comprising 500,000 ordinary shares.

The changes in the share capital of E&LP Engineering since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
19 July 2007	1,000	1,000.00	1,000.00
18 February 2014	499,000	499,000.00	500,000.00

14. STATUTORY AND OTHER INFORMATION (Cont'd)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in E&LP Engineering. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.6 Pnexsoft

As at the LPD, Pnexsoft's share capital is RM300,000 comprising 300,000 ordinary shares.

The changes in the share capital of Pnexsoft since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
18 September 2018	300,000	300,000.00	300,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pnexsoft. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.7 Pekat LEDSystems

As at the LPD, Pekat LEDSystems' share capital is RM100,000 comprising 100,000 ordinary shares.

The changes in the share capital of Pekat LEDSystems since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
11 January 2006	3	3.00	3.00
31 March 2009	99,997	99,997.00	100,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pekat LEDSystems. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.8 Pekat Energy Sarawak

As at the LPD, Pekat Energy Sarawak's share capital is RM750,000 comprising 750,000 ordinary shares.

The changes in the share capital of Pekat Energy Sarawak since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
8 September 2016	3	3.00	3.00
22 March 2017	49,997	49,997.00	50,000.00

14. STATUTORY AND OTHER INFORMATION (Cont'd)

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
10 November 2017	200,000	200,000.00	250,000.00
25 May 2018	250,000	250,000.00	500,000.00
3 December 2018	250,000	250,000.00	750,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Pekat Energy Sarawak. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.9 MFP Solar

As at the LPD, MFP Solar's share capital is RM8,000,000 comprising 8,000,000 ordinary shares.

The changes in the share capital of MFP Solar since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
29 August 2019	2	2.00	2.00
1 October 2019	999,998	999,998.00	1,000,000.00
26 February 2021	7,000,000	7,000,000.00	8,000,000.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in MFP Solar. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.4.10 Sunway Pekat Solar

As at the LPD, Sunway Pekat Solar's share capital is RM1,010,010 comprising 1,010,010 ordinary shares.

The changes in the share capital of Sunway Pekat Solar since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
27 June 2019	10	10.00	10.00
26 December 2019	10,000	10,000.00	10,010.00
8 May 2020	1,000,000	1,000,000.00	1,010,010.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Sunway Pekat Solar. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14. STATUTORY AND OTHER INFORMATION (Cont'd)**14.4.11 J8K Energy**

As at the LPD, J8K Energy's share capital is RM100 comprising 100 ordinary shares.

The changes in the share capital of J8K Energy since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration	Cumulative share capital
		RM	RM
31 May 2019	100	100.00	100.00

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in J8K Energy. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.5 CONSENTS

- (i) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretaries and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (ii) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and letter relating to the Pro forma Combined Financial Information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (iii) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report titled "Independent Assessment of the Solar Photovoltaic, Earthing and Lightning Protection System and Distribution of Electrical Products Industries in Malaysia", in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

14.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) Constitution of our Company;
- (ii) The audited financial statements of the Pekat Group for the FYEs 2017, 2018, 2019 and 2020;
- (iii) The Accountants' Report as set out in Section 12;
- (iv) The Reporting Accountants' reports relating to our pro forma combined statements of financial information as set out in Section 13;

14. STATUTORY AND OTHER INFORMATION (Cont'd)

- (v) The IMR Report as set out in Section 7;
- (vi) The material contracts as set out in Section 6.16; and
- (vii) The letters of consent as set out in Section 14.5.

14.7 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledge that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M. ON 2 JUNE 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M. ON 10 JUNE 2021

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

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<u>Types of Application and category of investors</u>	<u>Application Method</u>
Applications by our eligible Directors and employees as well as persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

15.2.2 Placement

Types of Application	Application Method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera Investors approved by MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera Investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by our eligible Directors, employees as well as persons who have contributed to the success of our Group

Our eligible Directors and employees as well as persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

15.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.32 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NUMBER 702"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) Despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in box provided at the following address:

Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium, Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 10 June 2021 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) Reject Applications which:

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
- (b) are illegible, incomplete or inaccurate; or
- (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) Reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) Bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.8.1 For applications by way of Application Forms

- (i) The application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.8.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

15.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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