MESTRON
HOLDINGS BERHAD
(Company No. 1280732-K)
(Incorporated in Malaysia under the Companies Act 2016)

www.mestron.com.my

MESTRON HOLDINGS BERHAD
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PROSPECTUS

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MESTRON
HOLDINGS BERHAD
(Company No. 1280732-K)
(Incorporated in Malaysia under the Companies Act 2016)

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

(I) PUBLIC ISSUE OF 158,000,000 NEW ORDINARY SHARES IN OUR COMPANY ("SHARES") IN THE FOLLOWING MANNER:

- 39,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 8,750,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES;
- 30,750,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND
- 79,000,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY, MALAYSIA

(II) OFFER FOR SALE OF 79,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS

AT AN ISSUE/OFFER PRICE OF RM0.16 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

THIS PROSPECTUS HAS BEEN REGISTERED BY THE 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 THAT 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 THE 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 122.

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 AN EXEMPT TRANSACTION UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 AND IS THEREFORE NOT SUBJECT TO THE APPROVAL OF THE SC.

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT

M&A SECURITIES SDN BHD
(15017-H)
(A WHOLLY-OWNED SUBSIDIARY OF INSAS BERHAD)
(A PARTICIPATING ORGANISATION OF BURSA MALAYSIA SECURITIES BERHAD)

THIS PROSPECTUS IS DATED 23 MAY 2019

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 our 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.

Admission to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") is not to be taken as an indication of the merits of our IPO, our Company, or our shares.

This Prospectus, together with the Application Form (as defined herein), has also been lodged with the ROC (as defined herein), 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 the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Securities listed on Bursa 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 Shares (as defined herein) on 18 February 2019. 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.

The Securities Commission ("SC") has on 11 March 2019 approved the resultant equity structure under the equity requirement for public listed companies pursuant to our Listing (as defined herein).

Our securities are classified as Shariah compliant by the Shariah Advisory Council of SC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review is undertaken by the Shariah Advisory Council of SC. The new status will be released in the updated list of Shariah compliant securities, on the last Friday of May and November.

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 Shares would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form 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 (as defined herein), 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 the 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:

(a) 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;

(b) 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

(c) 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:

Event	Date
Issuance of this Prospectus/Opening of Application	23 May 2019
Closing Date	3 June 2019
Balloting of the Application	10 June 2019
Allotment of IPO Shares to successful applicants	17 June 2019
Date of Listing	18 June 2019

In the event there is any change to the timetable, we will advertise the notice of 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 "Mestron Holdings" and the "Company" in this Prospectus are to Mestron Holdings Berhad (1280732-K). 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 thousand or million or one decimal places (for percentages) or one ringgit or one 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 us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR. 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:

(a) Demand for our products;

(b) Our business strategies;

(c) Our future plans;

(d) Our financial position;

(e) Our future earnings, cash flows and liquidity; and

(f) 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 10 - 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.

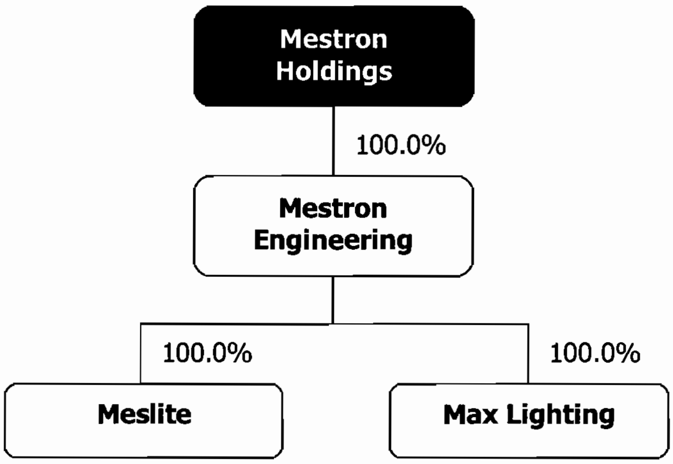
DEFINITIONS

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:

"Mestron Holdings" or "Company"	:	Mestron Holdings Berhad (1280732-K)
"Mestron Holdings Group" or "Group"	:	Mestron Holdings and its subsidiaries, collectively
"Mestron Engineering"	:	Mestron Engineering Sdn Bhd (591970-X), a wholly owned subsidiary of Mestron Holdings
"Meslite"	:	Meslite Sdn Bhd (903519-A), a wholly owned subsidiary of Mestron Engineering
"Max Lighting"	:	Max Lighting Solution Sdn Bhd (1177145-X), a wholly owned subsidiary of Mestron Engineering

A diagrammatic illustration of our Group structure is as follows:



GENERAL:

"ACE Market"	:	ACE Market of Bursa Securities
"Act"	:	Companies Act 2016
"ADA"	:	Authorised Depository Agent
"Adviser" or "Sponsor"	:	M&A Securities
"Agricultural Land A"	:	A piece of agricultural land measuring 0.1704 hectares bearing a land title of PM 7562 , Lot 16379, Mukim Dengkil, Daerah Sepang, Negeri Selangor
"Agricultural Land B"	:	A piece of agricultural land measuring 0.1942 hectares bearing a land title of PM 8591, Lot 16380, Mukim Dengkil, Daerah Sepang, Negeri Selangor

"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"	:	Automated Teller Machine
"Board"	:	Board of Directors of Mestron Holdings
"BS"	:	British Standard
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CAGR"	:	Compound annual growth rate
"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
"CF/CCC"	:	Certificate of fitness for occupation or certificate of completion and compliance issued by local authorities or principal submitting person (whichever is applicable)
"Closing Date"	:	The date adopted in the Prospectus as the last date for acceptance and receipt of Application
"CMSA"	:	Capital Markets and Services Act 2007
"Constitution"	:	Constitution of our Company
"Depository Rules"	:	The Rules of Bursa Depository and any appendices thereto
"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
"EN"	:	European Standard
"EPS"	:	Earnings per share

"FYE(s)"	:	Financial year(s) ended/ending 31 December, as the case may be
"GP"	:	Gross profit
"IFRS"	:	International Financial Reporting Standards
"IMR" or "PROVIDENCE"	:	Providence Strategic Partners Sdn Bhd (1238910-A), our Independent Market Researcher
"IMR Report"	:	Independent Market Research Report dated 7 May 2019 titled "The Street Lighting, Construction and Telecommunications Industries"
"Internet Participating Financial Institution(s)"	:	Participating financial institution(s) for Internet Share Application as listed in Section 14
"Initial Public Offering" or "IPO"	:	Our initial public offering comprising our Public Issue and Offer for Sale
"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/offer price of RM0.16 per Share pursuant to our Public Issue and Offer for Sale
"IPO Share(s)"	:	The Issue Share(s) and Offer Share(s), collectively
"Issue Share(s)"	:	New Share(s) to be issued pursuant to our Public Issue
"Issuing House"	:	Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
"JKR"	:	Jabatan Kerja Raya, Malaysia
"Light Industrial Land"	:	A piece of light industrial land measuring approximately 0.5522 hectare bearing a land title of PM 7561, Lot 16393, Mukim Dengkil, Daerah Sepang, Negeri Selangor, which is located opposite of our Main Manufacturing Facility that we intend to acquire
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM56,880,001.90 comprising 790,000,000 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"	:	30 April 2019, being the latest practicable date for ascertaining certain information contained in this Prospectus
"M&A Securities"	:	M&A Securities Sdn Bhd (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

DEFINITIONS *(Cont'd)*

"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
"MFRS"	:	Malaysian Financial Reporting Standards
"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry, Malaysia
"MT"	:	Metric tonne
"NA"	:	Net assets
"NBV"	:	Net book value
"Offer for Sale"	:	The offer for sale by the Selling Shareholders of 79,000,000 Offer Shares at our IPO Price by way of private placement to selected investors
"Offer Shares"	:	Existing Shares to be offered pursuant to the 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 14
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE Multiple"	:	Price-to-earnings multiple
"Pink Form Allocations"	:	The allocation of 8,750,000 Issue Shares to our eligible Directors and employees
"Placement Agent"	:	M&A Securities
"Promoters"	:	Collectively, Por Teong Eng and Loon Chin Seng
"Prospectus"	:	This prospectus dated 23 May 2019 in relation to our IPO
"Public Issue"	:	The public issue of 158,000,000 Issue Shares at our IPO Price
"ROC"	:	Registrar of Companies
"SC"	:	Securities Commission Malaysia
"Selling Shareholders"	:	Collectively, Por Teong Eng and Loon Chin Seng, who are undertaking the Offer for Sale
"Share(s)" or "Mestron Holdings Share(s)"	:	Ordinary share(s) in Mestron Holdings

DEFINITIONS *(Cont'd)*

"SICDA" or "Depository Act"	:	Securities Industry (Central Depositories) Act, 1991
"SIRIM"	:	Standard and Industrial Research Institute of Malaysia
"sq ft"	:	Square feet
"Underwriter"	:	M&A Securities
"Underwriting Agreement"	:	The underwriting agreement dated 30 April 2019 entered into between our Company and M&A Securities pursuant to our IPO
"USA"	:	United States of America
"Vendors"	:	Collectively, Por Teong Eng and Loon Chin Seng

Our restructuring

"Acquisition of Max Lighting"	:	Acquisition by Mestron Engineering for the remaining 30.0% equity interest, comprising 60,000 ordinary shares in Max Lighting for a purchase consideration of RM134,907 which was wholly satisfied by cash. The Acquisition of Max Lighting was completed on 25 April 2019 and resulted in Max Lighting becoming a wholly-owned subsidiary of Mestron Engineering
"Acquisition of Meslite"	:	Acquisition by Mestron Engineering for the remaining 40.0% equity interest, comprising 200,000 ordinary shares in Meslite for a purchase consideration of RM358,320 which was wholly satisfied by cash. The Acquisition of Max Lighting was completed on 25 April 2019 and resulted in Meslite becoming a wholly-owned subsidiary of Mestron Engineering
"Acquisition of Mestron Engineering"	:	Acquisition by Mestron Holdings of the entire share capital of Mestron Engineering for a purchase consideration of RM31,599,999.90 which was wholly satisfied by the issuance of 631,999,998 new Shares at an issue price of RM0.05 per Share. The Acquisition of Mestron Engineering was completed on 25 April 2019 and resulted in Mestron Engineering becoming a wholly owned subsidiary of Mestron Holdings
"Acquisitions"	:	Collectively, the following: (i) Acquisition of Max Lighting; (ii) Acquisition of Meslite; and (iii) Acquisition of Mestron Engineering

Properties owned by our Group

"Adjacent Land"	:	A piece of leasehold industrial land adjacent to our Main Manufacturing Facility located at Lot 16405, Mukim Dengkil, Daerah Sepang, Negeri Selangor under Geran 150625. It is currently utilised as our storage area for products and raw materials
"Alam Puchong Land"	:	A piece of vacant industrial lot located at No 10, Jalan PP 11/3, Alam Perdana Industrial Park, Taman Putra Perdana, 47130 Puchong, Selangor Darul Ehsan that we intend to dispose
"Investment Property A"	:	A freehold 1 ½ storey linked factory owned by Mestron Engineering located at No 41, Jalan Meranti Jaya 12, Taman Perindustrian Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan. It is currently being rented out to third party
"Investment Property B"	:	A freehold 1 ½ storey linked factory owned by Meslite located at No 39, Jalan Meranti Jaya 12, Taman Perindustrian Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan. It is currently being rented out to third party
"Main Manufacturing Facility"	:	Our main factory and head office located at PT 50102, Jalan MU 1/9, Seksyen 10, Taman Perindustrian Meranti Utama, 47120 Puchong, Selangor Darul Ehsan
"Meslite's Factory"	:	A freehold 1 ½ storey linked factory located at No 15, Jalan Imp 1, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan. It is currently utilised as Meslite's factory for the manufacturing of decorative compound light poles

Currencies

"AUD"	:	Australian Dollar
"BND"	:	Brunei Dollar
"NZD"	:	New Zealand Dollar
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"SGD"	:	Singapore Dollar
"USD"	:	United States Dollar

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TECHNICAL GLOSSARY

This glossary contains an explanation of certain technical terms used throughout this Prospectus in connection with our business. The terminologies and their meanings may not correspond to the standard industry usage of these terms.

"aerodynamic"	: Refers to a shape of an object that can reduce drag from air or wind moving past the object
"bending"	: A process of shaping steel plates into a curve or angle
"BS EN 40 – 5:2002"	: An international standard used for structural steel street light poles, which is adopted in Malaysia
"camera pole"	: A steel pole used to support traffic surveillance and security monitoring cameras
"concrete footing"	: A concrete foundation embedded into the ground which can support the weight of the steel pole above ground
"CNC machinery"	: Computer Numerical Control machines, a machine executed and/or commanded by computers to perform tasks in high precision manner such as milling and cutting of steel materials
"decorative light pole"	: Light poles that are aesthetically designed in accordance to customers' specifications and typically used on private roads or walkways in residential and commercial developments
"flange"	: An object with an external or internal rim used to strengthen or attach the steel poles in place
"foundation bolts and nuts"	: An anchor bolt used to fasten the poles into the concrete footing
"galvanising"	: A surface treatment process to prevent rust and abrasions, extends the life of the surface and improves the safety of the steel poles
"GRUPPE"	: Brand of outdoor lighting products supplied by Gruppe Lighting Solution Sdn Bhd
"high mast pole"	: A steel pole that has high load capacity or is able to support multiple outdoor lighting products
"ISO 9001:2008"	: An international certification of quality management systems, awarded by International Organisation for Standardisation
"junction box"	: An enclosure housing and protecting electrical wiring
"large pole"	: Steel poles which ranges from 12 meters to 50 meters in height. For the purposes of this Prospectus, telecommunication monopoles and high mast poles are classified as large poles
"lighting specialist"	: Lighting product manufacturers with established outdoor lighting product brands for street lighting purposes
"mid-hinge collapsible pole"	: A steel pole with a collapsible arm to allow for ease of maintenance as height is adjustable

TECHNICAL GLOSSARY *(Cont'd)*

"mining light pole"	:	A steel light pole or column installed at mining sites
"NIKKON"	:	Brand of outdoor lighting products supplied by Success Electronics & Transformer Manufacturer Sdn Bhd (subsidiary of Success Transformer Corporation Berhad)
"octagonal"	:	A shape made of a combination of 8 straight lines which closes to form the sides
"oscillation"	:	The movement of back and forth in a regular rhythm
"OSRAM"	:	Brand of outdoor lighting products supplied by OSRAM (M) Sdn Bhd
"oil and gas light pole"	:	A steel light pole or column installed on offshore oil and gas platforms
"outdoor lighting bulb"	:	A glass bulb inserted into the socket of a lamp which forms part of an outdoor lighting product
"outdoor lighting product"	:	A lighting product used outdoors which provides light when connected to an electricity source
"polygonal"	:	A shape of an object made of a combination of straight lines which closes to form the sides
"QA/QC"	:	Quality assurance and control
"service door"	:	A fibreglass or steel door on the steel pole that enables maintenance of electrical products
"shearing"	:	A process where steel plates are cut to produce steel plates of different lengths
"specialised contractors"	:	Contractors specialised in the engineering, procurement and construction of telecommunication infrastructure, oil and gas offshore platforms or mining sites
"specialty pole"	:	The steel pole product comprising camera pole, high mast pole, mid-hinge collapsible pole, traffic pole, telecommunication monopole, oil and gas light pole and mining light pole
"standard street light pole"	:	Street light poles that are tapered octagonal shape and typically used on public and private roads, highways and pedestrian walkways
"standard outdoor lighting"	:	An outdoor lighting product used on standard and decorative street light poles
"steel pipes"	:	Hollow tubes made from steel
"steel plates"	:	Thin and flat pieces of steel, typically more than 3 millimetre

TECHNICAL GLOSSARY *(Cont'd)*

"street lighting"	:	Refer to the full set of a street light pole and outdoor lighting product, which is used to illuminate public and private roads, highways, pedestrian walkways and bridges
"street light pole"	:	Steel column used to support outdoor lighting products which are typically installed on public and private roads, highways, pedestrian walkways and bridges
"steel pole"	:	Steel column used to support outdoor lighting products or other electrical products (such as cameras, traffic light signals and antennas) and houses cables and wiring for these outdoor lighting and electrical products
"tack"	:	A process to temporarily hold steel plates/sheets in the proper location, alignment and distance apart
"tapered"	:	Thickness of an object which gradually becomes narrower towards one end
"telecommunication monopole"	:	A steel pole used to support antenna mounting hardware and platforms for telecommunication applications
"traffic pole"	:	A steel pole used to support traffic light signals
"winch"	:	A mechanical device that is used to adjust the tension of a wire/cable
"2D"	:	Two-dimensional, appearing to have two dimensions such as width and height
"3D"	:	Three-dimensional, appearing to have three dimensions such as width, height and depth

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Company No.: 1280732-K

1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Gender)	Designation	Address	Nationality
Tajul Arifin bin Mohd Tahir (M)	Independent Non-Executive Chairman	No. 10E-2-1-4, Sri Kinabalu Section 10 Wangsa Maju 53300 Kuala Lumpur	Malaysian
Por Teong Eng (M)	Managing Director	No. 41, Jalan Puteri 9/1B Bandar Puteri 47100 Puchong Selangor Darul Ehsan	Malaysian
Loon Chin Seng (M)	Executive Director	No. 9, Jalan BK 8/1D Bandar Kinrara 47180 Puchong Selangor Darul Ehsan	Malaysian
Leong Peng Phooi (M)	Independent Non-Executive Director	No. 68, Jalan Putra Indah 9/8 Putra Heights 47650 Subang Jaya Selangor Darul Ehsan	Malaysian
Phang Sze Fui (F)	Independent Non-Executive Director	No. 17, Jalan PP4/12 Taman Putra Prima 47130 Puchong Selangor Darul Ehsan	Malaysian

Notes:

M refers to male
F refers to female

AUDIT & RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Phang Sze Fui	Chairwoman	Independent Non-Executive Director
Tajul Arifin bin Mohd Tahir	Member	Independent Non-Executive Chairman
Leong Peng Phooi	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tajul Arifin bin Mohd Tahir	Chairman	Independent Non-Executive Chairman
Phang Sze Fui	Member	Independent Non-Executive Director
Leong Peng Phooi	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY *(Cont'd)*

NOMINATION COMMITTEE

Name	Designation	Directorship
Tajul Arifin bin Mohd Tahir	Chairman	Independent Non-Executive Chairman
Phang Sze Fui	Member	Independent Non-Executive Director
Leong Peng Phooi	Member	Independent Non-Executive Director

REGISTERED OFFICE : Suite 10.02, Level 10
The Gardens South Tower,
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: +603-2298 0263

HEAD OFFICE : PT 50102, Jalan MU 1/9,
Seksyen 10,
Taman Perindustrian Meranti Utama,
47120 Puchong,
Selangor Darul Ehsan

Telephone number: +603-8069 1815

EMAIL ADDRESS AND WEBSITE : Email address: info@mestron.com.my
Website: www.mestron.com.my

COMPANY SECRETARY : **Tan Tong Lang (MAICSA 7045482)**
(Chartered Secretary)

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone number: +603-2298 0263

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT : **M&A Securities Sdn Bhd (15017-H)**

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

Telephone number: +603-2284 2911

1. CORPORATE DIRECTORY *(Cont'd)*

SOLICITORS FOR OUR IPO	:	**Ben & Partners** 7-2, Level 2 Block D2 Dataran Prima Jalan PJU 1/39 47301 Petaling Jaya Selangor Darul Ehsan Telephone number: +603-7805 2922
ISSUING HOUSE AND SHARE REGISTRAR	:	**Tricor Investor & Issuing House Services Sdn Bhd (11324-H)** Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South 8, Jalan Kerinchi 59200 Kuala Lumpur Telephone number: +603-2783 9299
AUDITORS AND REPORTING ACCOUNTANTS FOR OUR IPO	:	**Grant Thornton Malaysia (AF 0737)** Level 11 Sheraton Imperial Court Jalan Sultan Ismail 50250 Kuala Lumpur Telephone number: +603-2692 4022 Partner: Lian Tian Kwee Approval number: 02943/05/2019 (J) (Chartered Accountant, Malaysian Institute of Accountants, Member of Malaysian Institute of Certified Public Accountants)
INDEPENDENT MARKET RESEARCHER	:	**Providence Strategic Partners Sdn Bhd (1238910-A)** 67-1, Block D, The Suites, Jaya One No. 72A, Jalan Universiti 46200 Petaling Jaya Selangor Darul Ehsan Telephone number: +603-7625 1769 Executive Director: Melissa Lim Li Hua (Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia)
LISTING SOUGHT	:	ACE Market of Bursa Securities
SHARIAH STATUS	:	Approved by Shariah Advisory Council of SC

2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had, vide its letter dated 18 February 2019, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged 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 with respect to the moratorium on the shareholdings of the Promoters to 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 Notes 15 of Listing Requirement	To be complied
4.	Furnish Bursa Securities a copy of the schedule of distribution showing compliance with the share spread requirements based on the entire issued share capital of Mestron Holdings on the first day of listing	To be complied
5.	Any director of the Company who has not attended the Mandatory Accreditation Programme must do so prior to listing of the Company	Complied
6.	In relation to the public offering to be undertaken by Mestron Holdings, to 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 the format prescribed; and (iv) Disclosure of placees who become substantial shareholders of Mestron Holdings arising from the public offering, if any.	To be complied
7.	Mestron Holdings/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 to the Official List of the ACE Market.	To be complied

2. APPROVALS AND CONDITIONS *(Cont'd)*

2.1.2 SC

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

The SC had, vide its letter dated 11 March 2019, approved the resultant equity structure of Mestron Holdings under the equity requirement for public listed companies pursuant to our Listing subject to the following condition:

No.	Details of conditions imposed	Status of compliance
1.	Mestron Holdings to allocate Shares equivalent to at least 12.5% of its enlarged issued share capital at the point of Listing to Bumiputera investors. This includes the Shares offered under the balloted public offer portion, of which at least 50.0% are to be offered to Bumiputera investors.	To be complied

The effect of our Listing on our equity structure is as follows:

	As at 26 October 2018		After the Listing	
Category of shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Bumiputera	-	-	[1]98,750,000	12.5
Non-Bumiputera	2	100.0	691,250,000	87.5
Malaysian	**2**	**100.0**	**790,000,000**	**100.0**
Foreigners	-	-	-	-
Total	**2**	**100.0**	**790,000,000**	**100.0**

Note:

(1) Based on the assumption that the Shares allocated to Bumiputera investors shall be fully subscribed as follows:

Category	No. of Shares
Bumiputera public investor via balloting	19,750,000
Private placement to identified Bumiputera investors approved by MITI	79,000,000
Total	**98,750,000**

The Shariah Advisory Council of the SC had, vide its letter dated 28 March 2019 classified our Shares as shariah-compliant based on the audited combined financial statement of FYE 2017.

2.1.3 MITI

The MITI had, vide its letter dated 28 March 2019, taken note and has no objection to our Listing.

2.2 MORATORIUM ON OUR SHARES

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 Mestron Holdings Shares held by our Promoters as follows:

2. APPROVALS AND CONDITIONS *(Cont'd)*

(a) The moratorium applies to the entire shareholdings of our Promoters after the Offer for Sale for a period of 6 months from the date of our admission to the ACE Market ("First 6-Month Moratorium");

(b) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Promoters' aggregate shareholdings amounting to at least 45.0% of our total number of issued ordinary shares remain under moratorium for another period of 6 months ("Second 6-Month Moratorium"); and

(c) 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 Mestron Holdings Shares held under moratorium.

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

	Moratorium shares during the First 6-Month Moratorium[1]		**Moratorium shares during the Second 6-Month Moratorium**	
Promoters	**No. of Shares**	**[2]%**	**No. of Shares**	**[2]%**
Por Teong Eng	276,500,000	35.0	177,750,000	22.5
Loon Chin Seng	276,500,000	35.0	177,750,000	22.5
	553,000,000	**70.0**	**355,500,000**	**45.0**

Notes:

(1) After the Offer for Sale.

(2) Based on the enlarged share capital of 790,000,000 Shares after the Public Issue.

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.

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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 DETAILS OF THE IPO

Our IPO is subject to the terms and conditions of this Prospectus and the allocation of the IPO Shares shall be in the following manner:

Allocation	No. of Shares	% (1)
Public Issue		
Malaysian Public (2)	39,500,000	5.0
Eligible Directors and employees	8,750,000	1.1
Private placement to selected investors	30,750,000	3.9
Private placement to Bumiputera investors approved by MITI	79,000,000	10.0
Offer for sale		
Private placement to selected investors	79,000,000	10.0

Enlarged number of Shares upon Listing	790,000,000
IPO Price per Share (RM)	RM0.16
Market capitalisation (3)	RM126,400,000

Notes:

(1) Based on our enlarged share capital of 790,000,000 Shares after the IPO.

(2) 19,750,000 Shares will be set aside strictly for Bumiputera public investor.

(3) Based on our IPO Price and our enlarged share capital of 790,000,000 Shares upon Listing.

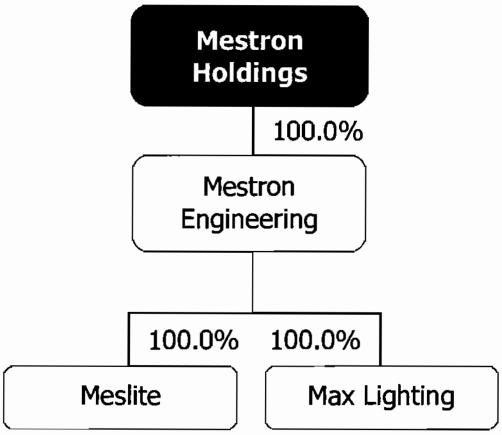
In compliance with the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoters. Further details of the moratorium are set out in Section 2.2 of this Prospectus. Save for the moratorium imposed on the Shares held by our Promoters, there is no other moratorium imposed on our Shares.

Further details on our IPO are set out in Section 4.3.

3.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia under the Act on 18 May 2018 as a public limited company under the name of Mestron Holdings Berhad. Our Company was incorporated as a special purpose vehicle to facilitate the listing of Mestron Engineering and its subsidiaries namely, Meslite and Max Lighting on the ACE Market.

Our corporate structure upon Listing is shown in the diagram below.

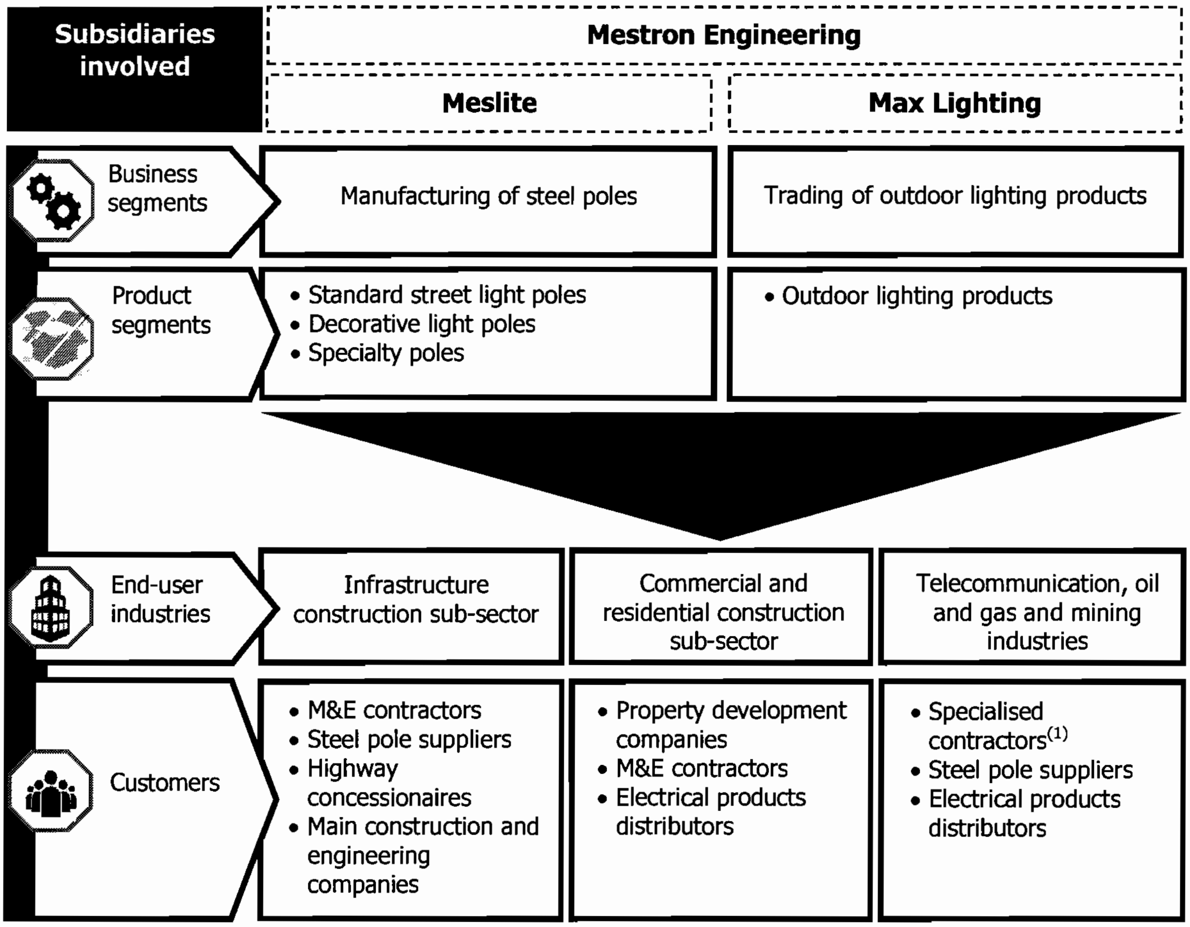


Our Company is an investment holding company. Through our subsidiaries, we are principally involved in the following activities:

(i) Manufacturing of steel poles comprising standard street light poles, decorative light poles and specialty poles; and

(ii) Trading of outdoor lighting products.

The following diagram illustrates our Group's business segments:



Note:

(1) Refers to contractors specialised in the engineering, procurement or construction of telecommunication infrastructure or oil and gas offshore platforms or mining sites.

Our principal market is Malaysia, which contributes 83.1% to 92.7% of our total sales for FYE 2015 to 2018. We also export our steel poles to international markets, primarily to Australia, Singapore and Korea.

Further details of our Group and our business model are set out in Section 6 of this Prospectus.

3.3 COMPETITIVE POSITION

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

(a) **We have in-depth technical expertise and are committed to delivering quality products.** We are able to propose optimal structural designs to our customers using our structural engineering software and through our technical knowledge and experiences in steel pole manufacturing. We also place emphasis on product quality and have committed to consistently manufacture quality steel poles that meet the requirements of our customers.

(b) **We have a comprehensive range of steel pole products** such as standard street light poles, decorative light poles and specialty poles. We also distribute outdoor lighting products of various international brands to complement our offering on steel poles. As such, our customers can opt to purchase all components of street lighting products (namely street light pole and related accessories as well as outdoor lighting) from us, as opposed to sourcing these components from multiple suppliers.

(c) **We are well-equipped with a fleet of machinery and equipment that are essential in the manufacturing process of steel poles**, allowing us to maintain precision in the manufacturing process of our products and minimising manufacturing defect and production lead time. Thus, we are able to ensure timely delivery on our customers' orders.

(d) **We have an experienced management and technical team** led by our Promoters who is also our Managing Director and Executive Director, both of them has more than 19 years of experience in the steel pole industry.

Further details of our competitive positions are set out in Section 6.9.

3.4 BUSINESS STRATEGIES

A summary of our business strategies are set out below:

(a) **We intend to expand our revenue stream from our specialty pole business segment.**

Specifically, we intend to expand the sales of high mast and telecommunication monopole products.

To implement this initiative, we intend to continuously automate our manufacturing processes for high mast poles and telecommunication monopoles through the acquisition of additional machinery and equipment for our manufacturing processes. The automation of our manufacturing processes will enable us to increase our production efficiency, thus allowing us to cater for increasing sales from these 2 product segments.

(b) **We plan to enhance our presence and increase our market share in the street light pole industry in Malaysia.**

We intend to expand our Main Manufacturing Facility and acquire additional machinery and equipment to enhance our manufacturing capabilities and enable us to capitalise on the anticipated growth in the street light pole industry in Malaysia.

According to the IMR Report, the street light pole industry in Malaysia is expected to grow at a CAGR of 9.8%, from RM212.60 million in 2018 to reach RM256.10 million in 2020.

(c) **We plan to expand our geographical presence to international markets.**

We intend to expand our geographical reach to new international markets such as Brunei, Sri Lanka and New Zealand through the supply of steel poles to these markets. We may appoint local electrical product distributors or lighting specialists in the respective country as master distributors to facilitate the marketing activities of our Group in these markets, as well as provide on-site and off-site technical support.

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

3.5 RISK FACTORS

An investment in our Shares is subject to risks. A summary of some of the more important risks is set out below. A more detailed description of the risks associated with our Group and IPO can be found in the Section 8.

Investors should read and understand all the risk factors before making a decision to invest in our Shares.

(a) We face competition from other industry players

The street lighting industry in Malaysia is a niche industry comprising a handful of local industry players. We face competition from both new and existing industry players. We also face competition from other industry players that were recognised by JKR as approved supplier of street light poles in securing orders for public road projects. The competition that we face from other industry players may impact our sales and profitability as we may be forced to be more price competitive to secure sales orders.

(b) **We are subject to fluctuations in the price of raw materials.**

The price of our main raw materials namely, steel plates and steel pipes fluctuates according to global steel prices, which is subject to the demand and supply conditions of steel in the global market, prices of raw materials for the production of steel such as coal and iron and prevailing energy costs. Any fluctuations on the global steel prices may lead to a rise in our cost of production as well as our carry cost for maintaining our inventories. If we are unable to pass on this increase in raw material to our customers, we will bear the increasing costs and this may have a material impact on our financial results.

(c) **The lack of long-term contracts may result in the fluctuation of our Group's performance.**

Our Group's sales are mainly based on purchase orders and occasionally other forms of confirmed orders due to the nature of our business and prevailing customer practices. Any adverse economic conditions, or slowdowns in the industries in which our customer operate, may negatively impact our sales and consequently our financial performance.

(d) **We are subject to risk on the maintenance or renewal of products certifications and registrations.**

Our standard street light poles have been certified by SIRIM QAS International Sdn Bhd to be compliant with BS EN 40 – 5:2002. Based on this certification, our standard street light poles have been registered by JKR to be approved for use as street lighting. We may not be able to sell our standard street light poles if we are unable to renew or maintain the above certification and registration. This will affect our sales and financial performance.

(e) **Our business is exposed to sudden and unexpected equipment failures, flood, fires and burglary, which may lead to interruptions in our business operations.**

Our Group's manufacturing activities are heavily dependent on our machinery and equipment. Unexpected events such as damages and operating failure in the machinery and equipment, floods, fires and burglary in our manufacturing facilities will interrupt our manufacturing activities and consequently cause delay in our production schedules and timely delivery of our products to our customers. This could adversely impact our business operation and financial performance. Further, the occurrence of unforeseen event such as floods, fire and burglary on our manufacturing facilities may result in an immediate financial loss.

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3.6 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Tajul Arifin bin Mohd Tahir	Independent Non-Executive Chairman
Por Teong Eng	Managing Director
Loon Chin Seng	Executive Director
Leong Peng Phooi	Independent Non-Executive Director
Phang Sze Fui	Independent Non-Executive Director
Key Senior Management	
Lee Chun Heng	Head of Sales and Marketing
Tan Hock Choon	Production Manager
Lai Jian Hong	Chief Financial Officer
Neo Yeung Tat	Technical Manager

Further details of the aforementioned persons are set out in Section 5.

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3. PROSPECTUS SUMMARY *(Cont'd)*

3.7 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and substantial shareholders in our Company before and after our IPO are as follows:

		[(1)]Before IPO				After IPO			
Name	Nationality	Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	[(2)]%	No. of Shares	%
Por Teong Eng	Malaysian	316,000,000	50.0	-	-	276,500,000	35.0	-	-
Loon Chin Seng	Malaysian	316,000,000	50.0	-	-	276,500,000	35.0	-	-
		632,000,000	**100.0**	**-**	**-**	**553,000,000**	**70.0**	**-**	**-**

Notes:

(1) Based on the share capital of 632,000,000 Shares after the Acquisition of Mestron Engineering and the transfer of 2 subscriber shares in Mestron Holdings to our Promoters, but before the IPO.

(2) Based on our enlarged share capital of 790,000,000 Shares after the IPO.

Further details of the aforementioned persons are set out in Section 5.

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3.8 UTILISATION OF PROCEEDS

The estimated gross proceeds arising from the Public Issue of approximately RM25.28 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	(1)Estimated timeframe for utilisation	RM'000	%
Expansion of our Main Manufacturing Facility and acquisition of manufacturing machineries and equipment	24 months	13,000	51.4
Working capital	12 months	5,180	20.5
Repayment of bank borrowings	6 months	4,000	15.8
Estimated listing expenses	1 month	3,100	12.3
		25,280	**100.0**

Note:

(1) From the date of listing of our Shares.

Detailed information on our utilisation of proceeds is set out in Section 4.8.

The gross proceeds arising from the Offer for Sale of approximately RM12.64 million shall accrue entirely to the Selling Shareholders.

3.9 FINANCIAL AND OPERATIONAL HIGHLIGHTS

3.9.1 Financial highlights

The following key historical financial data for FYE 2015 to 2018 have been extracted from the Accountant Report included in Section 11 of this Prospectus.

The following key historical financial data should be read in conjunction with Section 10 and Section 11 of this Prospectus.

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	40,540	44,374	60,747	63,680
GP	6,377	12,427	20,195	20,912
PBT	2,367	7,161	11,500	12,202
PAT	2,176	5,280	8,538	9,307
GP margin (1) (%)	15.7	28.0	33.2	32.8
PBT margin (2) (%)	5.8	16.1	18.9	19.2
PAT margin (3) (%)	5.4	11.9	14.1	14.6

Notes:

(1) GP margin is calculated based on GP divided by revenue.

(2) PBT margin is calculated based on PBT divided by revenue.

(3) PAT margin is calculated based on PAT divided by revenue.

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. During the financial years under review, we recorded our Listing expenses as other receivables. These expenses will be expensed out to our statement of profit or loss after our Listing. Our total Listing expenses (excluding underwriting, placement and brokerage fees) is estimated to be RM2.40 million. The recognition of such expenses after our Listing in our statement of profit or loss will reduce our profits for FYE 2019.

3.9.2 Operational highlights

Our revenue was mainly derived from the manufacturing of steel poles, which had accounted for 64.6% to 73.6% of our revenue for FYE 2015 to 2018.

Our sales volume (in units) and revenue for each of our product segments for the FYE 2015 to 2018 are as follows:

	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	unit	RM'000	unit	RM'000	unit	RM'000	unit	RM'000
Manufacturing								
Standard street light poles	*16,325*	*13,068*	*15,615*	12,541	*19,345*	17,313	*14,814*	13,276
Decorative light poles	*4,992*	*9,503*	*5,564*	9,757	*7,143*	12,830	*7,962*	14,565
Specialty poles	*12,135*	*7,277*	*17,865*	9,777	*17,147*	9,908	*15,042*	13,292
	33,452	***29,848***	***39,044***	**32,075**	***43,635***	**40,051**	***37,818***	**41,133**
Trading								
Outdoor lighting products	8,888	10,692	7,717	12,299	*10,664*	20,696	*7,296*	3,090
Total revenue		**40,540**		**44,374**		**60,747**		**63,680**

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 subsidiaries, present or future. 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.

Further details of our dividends are set out in Section 10.14.

4. PARTICULARS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m. on 23 May 2019 and will remain open until at 5.00 p.m. on 3 June 2019. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 IMPORTANT TENTATIVE DATES

Event	Date
Issuance of this Prospectus/Opening of Application	23 May 2019
Closing Date	3 June 2019
Balloting of the Application	10 June 2019
Allotment of our IPO Shares to successful applicants	17 June 2019
Date of Listing	18 June 2019

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

4.3 DETAILS OF OUR IPO

4.3.1 Listing Scheme

(i) Public Issue

A total of 158,000,000 Issue Shares, representing 20.0% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(a) Malaysian Public

39,500,000 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:

(aa) 19,750,000 Issue Shares made available to public investors; and

(bb) 19,750,000 Issue Shares made available to Bumiputera public investors.

(b) Our eligible Directors and employees

8,750,000 Issue Shares, representing 1.1% of our enlarged share capital, will be reserved for our eligible Directors and employees under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.3.

(c) Private placement to selected investors

30,750,000 Issue Shares, representing 3.9% of our enlarged share capital after the IPO, have been reserved for private placement to selected investors.

(d) Private placement to Bumiputera investors approved by MITI

79,000,000 Issue Shares, representing 10.0% of our enlarged share capital after the IPO, have been reserved for private placement to selected Bumiputera investors approved by MITI.

Upon completion of our Public Issue, our share capital will increase from RM31,600,001.90 comprising 632,000,000 Shares to RM56,880,001.90 comprising 790,000,000 Shares.

The basis of allocation for the Issue Shares 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 market for our Shares. 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.

(ii) Offer for sale

The Selling Shareholders will undertake an offer for sale of 79,000,000 Offer Shares, representing 10.0% of our enlarged share capital by way of private placement to selected investors at our IPO Price. The Offer for Sale is subject to the terms and conditions of this Prospectus.

(iii) Listing

Upon completion of our IPO, our Company's entire share capital of RM56,880,001.90 comprising 790,000,000 Shares shall be listed on the ACE Market.

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4.3.2 Selling Shareholders

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

		As at the LPD		Offer Shares			After IPO	
Name / Address	**Relationship with our Group**	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**	**%[(2)]**	**No. of Shares**	**%[(2)]**
Por Teong Eng / No. 41, Jalan Puteri 9/1B Bandar Puteri 47100 Puchong Selangor Darul Ehsan	Promoter, substantial shareholder and Managing Director	316,000,000	50.0	39,500,000	6.3	5.0	276,500,000	35.0
Loon Chin Seng / No. 9, Jalan BK 8/1D Bandar Kinrara 47180 Puchong Selangor Darul Ehsan	Promoter, substantial shareholder and Executive Director	316,000,000	50.0	39,500,000	6.3	5.0	276,500,000	35.0

Notes:

(1) Based on the share capital of 632,000,000 Shares after the Acquisition of Mestron Engineering and the transfer of the 2 subscriber shares in Mestron Holdings to Por Teong Eng and Loon Chin Seng, but before the IPO.

(2) Based on our enlarged share capital of 790,000,000 Shares after the IPO.

Further details of the Selling Shareholders, who are also our Promoters, substantial shareholders and Directors can be found in Sections 5.1 and 5.2.

4.3.3 Pink Form Allocations

We have allocated 8,750,000 Issue Shares to our eligible Directors and employees under the Pink Form Allocations as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares allocated
Eligible Directors	3	420,000
Eligible employees	34	8,330,000
	37	**8,750,000**

The criteria for allocation to our eligible Directors are based on amongst others, the length of their service and their anticipated contributions to our Group. Our Executive Directors, Por Teong Eng and Loon Chin Seng have opted out of the Pink Form Allocations as they are also the Selling Shareholders.

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

(a) The employee must be at least 18 years of age;

(b) The employee must have his/her employment confirmed in writing; and

(c) The employees' seniority, position, length of service and contribution to our Group.

Details of the proposed allocation to our Directors and key senior management are as follows:

Name	Designation	No. of Issue Shares allocated
Directors		
Tajul Arifin bin Mohd Tahir	Independent Non-Executive Chairman	160,000
Leong Peng Phooi	Independent Non-Executive Director	130,000
Phang Sze Fui	Independent Non-Executive Director	130,000
Key senior management		
Lee Chun Heng	Head of Sales and Marketing	1,220,000
Tan Hock Choon	Production Manager	175,000
Lai Jian Hong	Chief Financial Officer	130,000
Neo Yeung Tat	Technical Manager	395,000
		2,340,000

Pink Form Allocations which are not accepted by certain eligible Directors and employees will be re-allocated to the other eligible Directors mentioned in the table above and employees at the discretion of our Board.

4.3.4 Underwriting arrangement

Our Underwriter will underwrite 48,250,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 109,750,000 Issue Shares and 79,000,000 Offer Shares available for application by selected investors will not be underwritten and have been placed out by our Placement Agent.

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, Issue Shares not subscribed for under the Pink Form Allocations, if any, will be made available for application by the Malaysian Public. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner. Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

4.3.5 Minimum and over-subscription

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 IPO Shares will be the number of IPO 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.

In the event that there is an under-subscription of IPO Shares to be placed out, such under-subscription will be adjusted to the size of the Offer for Sale. For avoidance of doubt, the Public Issue will take priority over the Offer for Sale in the event of an under-subscription of IPO Shares.

4.4 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	632,000,000	(1) 31,600,002
To be issued pursuant to our Public Issue	158,000,000	25,280,000
Enlarged share capital upon our Listing	**790,000,000**	**(1)56,880,002**

Note:

(1) Rounded up to the nearest RM1.

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

The Issue Shares will, upon allotment and issue, rank *pari passu* 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 *pari passu* 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 number 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.

4.5 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:

(a) PE Multiple of approximately 13.6 times based on our audited combined EPS of 1.18 sen for FYE 2018, calculated based on our audited combined PAT of the Company of RM9.31 million for FYE 2018 and our enlarged share capital of 790,000,000 Shares upon Listing;

(b) Our pro forma consolidated NA per Share as at 31 December 2018 after our IPO and utilisation of proceeds of RM0.07;

(c) Our historical financial track record for the past FYE 2015 to 2018, summarised as follows:

	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000	FYE 2018 RM'000
Revenue	40,540	44,374	60,747	63,680
GP	6,377	12,427	20,195	20,912
PAT	2,176	5,280	8,538	9,307

(d) Our competitive positions as set out in Section 6.9; and

(e) Our Group's business strategies as further described in Section 6.19.

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 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and our enlarged share capital of 790,000,000 Shares upon Listing, our total market capitalisation is estimated to be RM126,400,000 upon Listing.

4.7 DILUTION

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

Our pro forma consolidated NA per Share after adjusting for Acquisitions and before Public Issue was RM0.06, based on the number of Shares in issue of 632,000,000 Shares. After giving effect to the Acquisitions and Public Issue including adjustments for the utilisation of IPO proceeds, our pro forma consolidated NA per Share as at 31 December 2018 is RM0.07, based on the number of Shares in issue of 790,000,000 Shares.

This represents an immediate increase in the pro forma consolidated NA per Share to our existing shareholders of RM0.01, and an immediate dilution in the pro forma consolidated NA per Share of RM0.09 to our new public investors. The following table illustrates such dilution on a per Share basis:

	RM
Pro forma consolidated NA per Share as at 31 December 2018 after the Acquisitions	0.06
Pro forma consolidated NA per Share as at 31 December 2018 after the Public Issue and utilisation of IPO proceeds	0.07
Increase in pro forma consolidated NA per Share attributable to existing shareholders	0.01
IPO Price	0.16
Dilution in the pro forma consolidated NA per Share to our new investors	0.09
Dilution in the pro forma consolidated NA per Share as a percentage of our IPO Price	56.3%

Further details of our pro forma consolidated NA per Share as at 31 December 2018 is set out in Section 12.

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 received**	**Total consideration**	**Average effective cost per Share**
		RM	**RM**
Por Teong Eng	316,000,000	15,799,999.95	0.05
Loon Chin Seng	316,000,000	15,799,999.95	0.05
	632,000,000	**31,599,999.90**	**0.05**

Note:

(1) Issued pursuant to the Acquisition of Mestron Engineering and the transfer of 1 subscriber share each in Mestron Holdings to Por Teong Eng and Loon Chin Seng respectively.

Save for the:

(i) Transfer of 2 subscriber shares in Mestron Holdings to Por Teong Eng and Loon Chin Seng; and

(ii) Shares received by our Promoters pursuant to the Acquisition of Mestron Engineering,

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 3 years up to the LPD.

4.8 UTILISATION OF PROCEEDS

4.8.1 Public Issue

The gross proceeds arising from the Public Issue of approximately RM25.28 million shall accrue entirely to us and will be utilised in the following manner:

Utilisation of proceeds	Reference	(1) Estimated timeframe for utilisation	RM'000	%
Expansion of our Main Manufacturing Facility and acquisition of manufacturing machineries and equipment	(a)	24 months	13,000	51.4
Working capital	(b)	12 months	5,180	20.5
Repayment of bank borrowings	(c)	6 months	4,000	15.8
Estimated listing expenses	(d)	1 month	3,100	12.3
			25,280	**100.0**

Note:

(1) From the date of listing of our Shares.

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

(a) Expansion of our Main Manufacturing Facility and acquisition of manufacturing machineries and equipment

To support our future expansion plans highlighted in Section 6.19, we have allocated RM13.00 million from the proceeds for the following:

(aa) Our Main Manufacturing Facility is currently built on a piece of industrial land measuring 120,190 sq ft which is owned by Mestron Engineering. Our Group also own the Adjacent Land that we currently utilise as our storage area for products and raw materials. We intend to amalgamate the titles of these 2 lands to facilitate the expansion of our Main Manufacturing Facility. The amalgamation of the title of these 2 lands will result in these 2 lands being registered to a single title. This allows us to remove the setback requirement in between both lands in order to optimise the expanded production floor space and provide direct connectivity between the expanded facility and our new and existing production floor space.

We have submitted the application for amalgamation to Pejabat Tanah/Daerah Sepang on 28 March 2019 and anticipate the approval for amalgamation by second quarter of 2019. The estimated cost for the amalgamation is approximately RM0.35 million and shall be fully funded via our internally generated funds. As at the LPD, the said application is still pending the approval by Pejabat Tanah/Daerah Sepang.

We plan to expand our Main Manufacturing Facility to accommodate our future business growth. The expansion of our Main Manufacturing Facility to the Adjacent Land will increase our current production floor space measuring approximately 55,000 sq ft by approximately 41,300 sq ft.

The expanded production floor space will allow us to maximise our production capacity for large poles such as telecommunication monopoles and high mast poles which generally have a height of up to 50 meters. Our current production set-up is not optimised for the production of large poles due to limited production floor space. Large poles that are undergoing manufacturing processes (or work-in-progress poles) presently need to be constantly shifted in and out of the production floor space to allow ample space for the manufacturing of other steel poles, in order to prevent any potential safety hazards on our production floor. This has resulted in a longer production time to manufacture these large poles and restricted us to maximise our production capacity for these large poles. The additional production floor space will provide us with sufficient floor space to facilitate the manufacturing of large poles without the need to constantly shift the work-in-progress for large poles in and out of our production floor space. This would allow us to optimise our production floor for the manufacturing of large poles.

The total construction costs for our expansion estimated at RM5.00 million shall be fully funded from the proceeds of our Public Issue, details of which are as follows:

Type of construction works	**Estimated cost**
	RM'000
Foundation work	400
Steel and concrete structure	3,000
Roofing work	650
M&E works	400
Plumbing works	100
Overhead crane	450
	5,000

The construction cost for our expansion was estimated based on contractors' quotations. In the event of any construction cost over-run, we will utilise our internally generated funds to meet the shortfall from the amount allocated from our Public Issue.

We plan to commence the construction work by second half of 2019 and expect completion by second half of 2021.

(ab) In line with the proposed expansion of production floor space, we plan to acquire additional manufacturing machineries and equipment which are expected to cost RM8.00 million and shall be fully funded from the proceeds of our Public Issue, as detailed below:

Type of machineries and equipment	**Function**	**No. of units**	**Total estimated cost**
			RM'000
Auto seam-Welding machines	For welding of steel pole	3	1,550
Shearing machine	For cutting of steel plates	1	1,550
Plasma cutting machine	For precision cutting of large steel plates and pipes	2	1,500
Fiber laser cutting machine	For precision cutting of smaller steel plates and pipes	1	650
Robotic welding machine	For welding of flange plate	3	700
Coil slitting line	For uncoiling, slitting and recoiling of coils	1	2,050
			8,000

The estimated cost for the acquisition of additional manufacturing machineries and equipment is inclusive of the installation cost and was derived based on suppliers' quotations. In the event of actual cost of the manufacturing machineries and equipment is higher than estimated, we will utilise our internally generated funds to meet the shortfall from the amount allocated from the Public Issue.

These manufacturing machineries and equipment will be able to increase the automation of our manufacturing process and improve operating capacity for large poles such as high mast and telecommunication monopoles. As at the LPD, certain manufacturing process (such as seam welding) for large poles still requires the use of manual labour. The use of automated machines will enable us to increase the efficiency in terms of shorter production time and improve the finishing of our specialty poles.

The expanded manufacturing facility, when completed, will increase our production capacity of steel poles by approximately 5,700 MT per annum to approximately 11,400 MT per annum. Further, it will also enhance our manufacturing capability for specialty poles particularly, high mast poles and telecommunication monopoles. Please refer to Section 6.19.1 for more details. The expanded manufacturing facility is expected to be fully operational within 3 months from completion of the construction works for our expansion and acquisition of additional manufacturing machineries and equipment.

(b) Working capital

RM5.18 million of the proceeds are earmarked for the purchase of raw materials such as steel plates and steel pipes to support our expansion in capacity under Section 4.8.1(a). Steel plates and steel pipes are the main raw materials that we use in our manufacturing operations and constituted 31.7% to 39.4% of the total cost of sales of our manufacturing segment for FYE 2015 to 2018.

The allocation of the proceeds for the purchase of raw materials was arrived at after considering the additional raw materials required to support our business strategies to grow our revenues as set out in Section 6.19. The proceeds will enable us to purchase such raw materials in larger quantities for each order and enjoy bulk discount of between 3.0% to 5.0% from our suppliers. We have reserved a designated storage area in our Main Manufacturing Facility to store the steel plates and steel pipes to be purchased. In the event where we did not fully utilise the allocated funds for the purchase of steel plates and steel pipes, we will utilise the excess amount to purchase other supplies such as foundation bolts and nuts, junction boxes and concrete footing.

(c) Repayment of bank borrowings

RM4.00 million of the proceeds will be used to partly repay one of our banking facility obtained from a financial institution in 2016 for the acquisition of the Adjacent Land that we currently utilise as our storage area for products and raw materials. This land is earmarked as part of our expansion plans on our Main Manufacturing Facility as set out in Sections 4.8.1(a) and 6.19. As at the LPD, the outstanding term loan facility amounted to approximately RM4.59 million. The details of the loan facility are as follows:

Type of facility	Maturity Date	Interest Rate
Term loan	1 February 2037	4.87% per annum [(1)]

Note:

[(1)] Based on base lending rate of 6.97% as at the LPD minus 2.10%

The repayment of the abovementioned loan facility is expected to have a positive financial impact on our Group with interest savings of approximately RM0.19 million per annum based on the interest rate stated above. However, the actual interest savings may vary depending on the then applicable interest rate. The abovementioned repayment of the loan facility will not be subjected to any early repayment penalty. We will reduce the bank borrowings within 6 months from the date of Listing.

(d) Estimated listing expenses

An amount of RM3.10 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. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our working capital.

The following summarises the estimated expenses incidental to our Listing to be borne by us:

Description	RM'000
Professional fees [(1)]	2,100
Underwriting, placement and brokerage fees	700
Fees payable to authorities	90
Printing and advertising fees and other incidental costs	210
Total	**3,100**

Note:

(1) Includes advisory fees for, amongst others, our Adviser, Solicitors, Reporting Accountants, IMR and Issuing House.

4.8.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM12.64 million which will accrue entirely to the Selling Shareholders and we will not receive any of the proceeds.

The Selling Shareholders shall bear all the expenses such as stamp duty, placement fee, registration and share transfer fee relating to the Offer Shares, the aggregate of which is estimated to be approximately RM0.35 million.

4.9 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSIONS

4.9.1 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.

4.9.2 Placement commission

We are obliged to pay our Placement Agent a placement fee of 2.5% of the value of those Issue Shares to be placed out to selected investors and Bumiputera investors approved by MITI by our Placement Agent at our IPO Price. The placement fees of 2.5% of the value of those Offer Shares to be placed out to investors selected by our Placement Agent at our IPO Price will be borne entirely by the Selling Shareholders.

4.9.3 Underwriting arrangement and commission

Our Underwriter will underwrite 48,250,000 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 2.5% of the total value of the underwritten Shares at our IPO Price.

4.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with the Underwriter, to underwrite 48,250,000 Issue Shares ("Underwritten Shares") as set out in Section 4.3.4.

The following are the salient terms contained in the Underwriting Agreement:

Conditions

(1) The obligations of the Underwriter to underwrite the Underwritten Shares is conditional on the performance by the Company of its obligations under the Underwriting Agreement and conditional on the following ("Conditions"):

   (a) 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 issuance date of the Prospectus;

(b) The approval of Bursa Securities for the admission of the 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;

(c) 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 the Company may from time to time agree in writing;

(d) There is no occurrence of any 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 the Group taken as a whole from that subsequent to the date of the Underwriting Agreement; or there is no occurrence of any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings by the Company materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by the Company;

(e) The IPO not being prohibited or impeded by any statute, order, rule, directive, guidelines (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 the 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 the Company on the ACE Market have been obtained and are in force up to the Closing Date;

(f) 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 Shares under the IPO and any other matters contemplated have been or will be unconditionally obtained by its due date or if granted subject to conditions, such conditions will be fulfilled to the reasonable satisfaction of the Underwriter by its due date and remain in full force and effect;

(g) The Underwriter being satisfied that the Company has complied with and that the IPO is in compliance with the policies, guidelines and requirements of SC and Bursa Securities and all revisions, amendments and/or supplements to it;

(h) The Underwriter receiving a copy duly certified by a Director or secretary of the Company to be a true and accurate copy and in full force and effect, of a resolution of the Directors:

(i) approving the Prospectus, the Underwriting Agreement and the transactions contemplated by it;

(ii) authorising the issuance of the Prospectus;

(iii) authorising a person to sign and deliver the Underwriting Agreement on behalf of the Company; and

(i) The delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Board of Directors as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of the Group nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties as though they have been given and/or made on such date;

(j) The Underwriter being satisfied that the Company will, following completion of the Public Issue be admitted to the Official List and its issued share capital listed and quoted on the ACE Market without undue delay;

(k) There not having occurred on or prior to the Closing Date any breach of and/or failure to perform any of the undertakings by the Company contained in the Underwriting Agreement;

(l) The FTSE Bursa Malaysia Kuala Lumpur Composite Index ("Index") being not lower than 90% of the level of the Index as at the date of the Underwriting Agreement for at least 3 consecutive Market Days between the date of the Underwriting Agreement and the Closing Date, both dates inclusive;

(m) There not being 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

(n) 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 Issue Shares to be placed out via private placement) receipt of the full subscription monies for the Issue Shares to be placed out via private placement on or before the last date for payment.

(2) Subject to compliance by the Company with the Act, the Company is required to return to the Underwriter the consideration paid for those Underwritten Shares duly underwritten by the Underwriter within 3 Market Days from the date of receipt of the notice given by the Underwriter to the Company and the Company shall, on receipt by the Underwriter of the payment consideration, be entitled to the return of those Underwritten Shares underwritten by the Underwriter. Should any of the payment consideration remain unpaid pursuant to this clause after 30 days of such notice, the Underwriter shall be entitled to charge late payment interest at the rate of 1% per month calculated on a daily basis from the date of receipt of the notice up to full and actual payment thereof. Any indulgence granted by the Underwriter in respect of the payment consideration payable herein should not constitute a waiver of or prejudice the rights of the Underwriter and the Underwriter shall be released and discharged from their obligations save for the Company's obligations and none of the parties shall have a claim against the other save for antecedent breaches by the Company and claims arising therefrom. The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.

Termination

(3) Notwithstanding anything contained in this Underwriting Agreement, the Underwriter may after consultation with the Company in such manner as the Underwriter shall reasonably determine by notice in writing to the Company given at any time before the Underwriter is discharged or required to carry out its obligation under the Underwriting Agreement, terminate and withdraw its commitment under the Underwriting Agreement upon the occurrence of any of the following:

(a) There is any material breach by the Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within 10 Market Days from the date the Company is notified by the Underwriter of such breach; or

(b) 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

(c) any of the Conditions under the Underwriting Agreement are not duly satisfied by the Closing Date; or

(d) there is failure on the part of the Company to perform any of its obligations contained in the Underwriting Agreement; or

(e) the approval of Bursa Securities in respect of the IPO or the approval-in-principle of Bursa Securities for the listing and quotation of its entire issued share capital on the ACE Market is withdrawn; or

(f) there shall have occurred, or happened any material and adverse change in the business or financial condition of the Company or Group from that set out in the 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 the Underwriting Agreement as though given or made on such date; or

(g) the closing date of the application of the Issue 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

(h) the Company or any of its subsidiaries 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

(i) The occurrence of any *force majeure* event including, but not limited to the following:

(i) 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

(ii) 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

(iii) 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, acts of war, sabotage, acts of God etc); or

(iv) any imposition of moratorium, suspension or material restriction on trading of securities on ACE Market due to exceptional financial circumstances or otherwise; or

(iv) any material adverse change in financial conditions. For this purpose, a material adverse change in the stock market condition 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; or

(v) any government requisition or occurrence of any other nature which materially and adversely affect or will materially or adversely affect the business and/or financial position of the Group; or

(vi) in the event that the listing of and quotation for the entire enlarged issued share capital of the 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 the 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) Upon such notice(s) being given, the Underwriter shall be released and discharged of its obligations without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that the Company shall remain liable in respect of its obligations and liabilities for the payment of the costs and expenses already incurred prior to or in connection with such termination, for the payment of any taxes, duties or levies or such outstanding fees, and for any antecedent breach, and its undertaking to indemnify the Underwriter.

4.11 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, *inter-alia*, 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 Prospectus supplement. 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 authorised or lawful 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.

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 14 for further details on the procedures for application for our IPO Shares.

In the case of an application by way of Electronic Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application and the applicant shall furnish your CDS Account number to the Participating Financial Institution by way of 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.

In the case of an Application by way of Internet Share Application, only an applicant who has a CDS Account and an existing account to their internet financial services with the Internet Participating Financial Institutions 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.

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders

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

		Before IPO[(1)]				After IPO[(2)]			
		Direct		Indirect		Direct		Indirect	
Name	Nationality	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Por Teong Eng	Malaysian	316,000,000	50.0	-	-	276,500,000	35.0	-	-
Loon Chin Seng	Malaysian	316,000,000	50.0	-	-	276,500,000	35.0	-	-

Notes:

(1) Based on the share capital of 632,000,000 Shares after the Acquisition of Mestron Engineering and the transfer of 2 subscriber shares in Mestron Holdings to our Promoters, but before the IPO.

(2) Based on the enlarged share capital of 790,000,000 Shares after the IPO.

Our Promoters and substantial shareholders do not have different voting rights from the other shareholders of our Group after the IPO. The profiles of Por Teong Eng and Loon Chin Seng who are our Promoters, substantial shareholders and Directors are set out in Section 5.2.2.

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

5.1.2 Changes in the Promoters' and substantial shareholders' shareholdings

The changes in our Promoters and substantial shareholders' respective shareholdings since our incorporation on 18 May 2018 are as follows:

	As at incorporation				After the Acquisition of Mestron Engineering[2]				After IPO[3]			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Promoters/ substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Por Teong Eng	-	-	-	-	316,000,000	50.0	-	-	276,500,000	35.0	-	-
Lee Chun Heng[1]	1	50.0	-	-	-	-	-	-	[4] 1,220,000	0.2	-	-
Lok Siew Wai[1]	1	50.0	-	-	-	-	-	-	[4] 105,000	*	-	-
Loon Chin Seng	-	-	-	-	316,000,000	50.0	-	-	276,500,000	35.0	-	-

Notes:

* Less than 0.1%

(1) The 2 subscriber shareholders of our Company are our Group's employees.

(2) Including the transfer of 2 subscriber shares in Mestron Holdings to our Promoters.

(3) Based on the enlarged share capital of 790,000,000 Shares after the IPO.

(4) Assuming they fully subscribe their respective entitlements under Pink Form Allocations.

5.1.3 Persons exercising control over the corporation

Save for our Promoters, we are not aware of any other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5.1.4 Benefits paid or intended to be paid

Save for the dividends paid to our Promoters as disclosed in Section 10.14 and our Directors' remuneration and benefits as disclosed in Section 5.5.1, there is no amount and benefit that has been or is intended to be paid or given to our Promoters or substantial shareholders within the 2 years preceding the date of this Prospectus.

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

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company as at the LPD and after our IPO are set out below:

		As at the LPD[1]				After IPO[2]			
		Direct		Indirect		Direct		Indirect	
Name	**Designation/ Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Tajul Arifin bin Mohd Tahir	Independent Non-Executive Chairman / Malaysian	-	-	-	-	[3] 160,000	*	-	-
Por Teong Eng	Managing Director / Malaysian	316,000,000	50.0	-	-	276,500,000	35.0	-	-
Loon Chin Seng	Executive Director / Malaysian	316,000,000	50.0	-	-	276,500,000	35.0	-	-
Leong Peng Phooi	Independent Non-Executive Director / Malaysian	-	-	-	-	[3] 130,000	*	-	-
Phang Sze Fui	Independent Non-Executive Director / Malaysian	-	-	-	-	[3] 130,000	*	-	-

Notes:

* Less than 0.1%

(1) Based on the share capital of 632,000,000 Shares after the Acquisition of Mestron Engineering and the transfer of 2 subscriber shares in Mestron Holdings to our Promoters, but before the IPO.

(2) Based on the enlarged share capital of 790,000,000 Shares after the IPO.

(3) Assuming our Directors fully subscribe for their respective entitlements under the Pink Form Allocations.

5.2.2 Profiles of directors

The profiles of our Directors are as follows:

(i) Tajul Arifin bin Mohd Tahir
Independent Non-Executive Chairman

Tajul Arifin bin Mohd Tahir, aged 51, is our Independent Non-Executive Chairman. He was appointed to our Board on 15 October 2018, and is the Chairman of our Remuneration Committee and Nomination Committee. He is also a member of our Audit and Risk Management Committee.

He graduated with a Bachelor of Science in Business Administration from Saint Louis University, St Louis, Missouri, USA in 1989.

Upon his graduation, he was involved in a number of part time and freelance jobs in the hospitality as well as the food and beverage industry in USA during the period from 1989 to 1991. He returned to Malaysia and began his career in 1991 when he joined MIDF Consultancy and Corporate Services Sdn Bhd (now known as Tricor Investor & Issuing House Services Sdn Bhd) as a Public Issue Officer where he was responsible for running daily operational activities such as liaising between clients, advisors and authorities as well as coordinating balloting functions for initial public offering exercises.

In 1996, he was promoted to Assistant Manager and subsequently to Manager in 2002, where his role was extended to supervising a team of public issue officers. In 2008, he was promoted to Associate Director, where he was responsible for maintaining and expanding network with the stakeholders in the initial public offering market as well as review and introduce value added services to the company's client.

He left Tricor Investor & Issuing House Services Sdn Bhd as Associate Director in 2016 to provide freelance consulting work.

In March 2018, he co-founded 5 Pillars Ventures Sdn Bhd, a venture capital management company licensed and registered by the SC to undertake venture capital activities in Malaysia.

Presently, he serves as the Independent Non-Executive Director of ADF Capital Berhad and holds directorships in several private limited companies, details of which are disclosed in Section 5.2.3.

(ii) Por Teong Eng
Promoter, substantial shareholder and Managing Director

Por Teong Eng, a Malaysian, aged 46, is our Promoter, substantial shareholder and Managing Director. He was appointed to our Board on 15 October 2018. He is primarily responsible for the overall strategy and corporate direction of our Group. He is also responsible for overseeing the manufacturing and procurement operations of our Group.

He has 18 years of working experience in the steel pole industry in Malaysia with in-depth knowledge on steel pole manufacturing.

He graduated with a Bachelor of Mechanical Engineering from University Teknologi Malaysia in 1997. Upon his graduation in 1997, he started his career with Global Engineering Center Sdn Bhd as a Design Engineer where he was involved in the design and development of various industrial products.

In 2000, he left Global Engineering Center Sdn Bhd and joined Galvapole Industries Sdn Bhd as a Production Engineer, where he was responsible for the overall planning on the manufacturing operation of steel poles, design of steel poles' structure as well as supervising production workers.

In 2002, he left Galvapole Industries Sdn Bhd and founded Mestron Engineering in the same year. He was instrumental to the formation and growth of our Group's business. Together with our Executive Director, Loon Chin Seng, they developed our Group from a small scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects such as East Klang Valley Expressway project, Coastal Highway Southern Link project, LRT Ampang line extension project, Sungai Buloh – Kajang MRT line project and Bukit Jalil National Sport Complex refurbishment project.

(iii) Loon Chin Seng

Promoter, substantial shareholder and Executive Director

Loon Chin Seng, Malaysian, aged 43, is our Promoter, substantial shareholder and Executive Director. He was appointed to our Board on 15 October 2018. He is primarily responsible for managing and implementing our Group's business development plans and strategies, as well as overseeing the sales, marketing and administrative functions of our Group.

He has 19 years of working experience in the steel pole industry with in-depth knowledge on the sales and marketing of steel poles and outdoor lighting products.

He graduated with a Diploma in Business Administration in 1995 and an Advanced Diploma in Business Administration in 1996 from Stamford College Malaysia, under a programme accredited by The Association of Business Executives, United Kingdom. He subsequently furthered his studies on a part-time basis and obtained a Master of Business Administration from Heriot-Watt University, United Kingdom in 1999.

In 1997, he started his career as Credit and Marketing Officer in UOL Factoring Sdn Bhd, where he was responsible for conducting customer credit assessment as well as the sales and marketing activities of financial services such as factoring and trade financing.

In 1999, he left UOL Factoring Sdn Bhd and joined Galvapole Industries Sdn Bhd as Administrative and Marketing Executive where he was primarily involved in customer credit evaluation and the sales and marketing of steel poles manufactured by the company. He was subsequently promoted to Assistant Sales Manager in 2005 where he was responsible for leading and overseeing the sales and marketing team as well as liaise with overseas customers for the sales of steel poles.

In 2006, he left Galvapole Industries Sdn Bhd and joined Mestron Engineering in the same year, assuming his role as the Executive Director. He was instrumental to the expansion of our Group's business to international markets such as Singapore and Australia. Together with our Managing Director, Por Teong Eng, they developed our Group from a small scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects such as East Klang Valley Expressway project, Coastal Highway Southern Link project, LRT Ampang line extension project, Sungai Buloh – Kajang MRT line project and Bukit Jalil National Sport Complex refurbishment project.

(iv) Leong Peng Phooi
Independent Non-Executive Director

Leong Peng Phooi, aged 62, is our Independent Non-Executive Director. He was appointed to our Board on 15 October 2018 and is also a member of our Audit and Risk Management Committee, Remuneration Committee and Nomination Committee.

He completed his Malaysian Certificate of Education (equivalent to Sijil Pelajaran Malaysia, Form 5) at St. Xavier's Institution, Penang in 1974. Upon completing his secondary education, he took on several part time and freelance jobs before joining General Instrument (M) Sdn Bhd in 1981 as a Maintenance Technician where he was involved in the maintenance and trouble-shooting of machineries used in the manufacturing of semiconductor.

He left General Instrument (M) Sdn Bhd in 1983 and joined ESAB (M) Sdn Bhd in the same year as a Technician, where he was involved in the maintenance, functional checks and repair of welding and cutting equipment. Subsequently in 1987, he was promoted to the position of Sales and Marketing Manager, where he was responsible for managing the sales and marketing team and overseeing the sales and marketing activities of the company. In 1994, he left ESAB (M) Sdn Bhd and joined Galvapole Industries Sdn Bhd in the same year as Sales and Marketing Manager. During his tenure in Galvapole Industries Sdn Bhd, he was responsible for planning, improving and implementing the sales and marketing policies of the company as well as managing and monitoring the performance of the sales and marketing team.

In 2007, he resigned from Galvapole Industries Sdn Bhd to take a sabbatical from work to attend to his family matters. In 2010, he joined Alpine Pipe Manufacturing Sdn Bhd, a manufacturer of steel materials such as steel sections (i.e. steel materials in various size and shape used for steel fabrication) and steel pipes, as an Export Manager, where he was responsible for planning and coordinating the international sales of steel pipes and related accessories. In 2011, he retired from his career due to his decision to spend more time with his family members.

In 2014, he decided to re-enter the workforce and rejoined Alpine Pipe Manufacturing Sdn Bhd, as Research and Development Manager, where he was responsible for overseeing the development of new products, as well as overseeing the sales and marketing functions of the company. He currently still holds the position of Research and Development Manager at Alpine Pipe Manufacturing Sdn Bhd. Alpine Pipe Manufacturing Sdn Bhd does not manufacture steel poles and as such is not in competition with our Group. Hence, his involvement in Alpine Manufacturing Sdn Bhd does not result in a conflict of interest situation with our Group.

Presently, he does not hold directorship in any other public listed companies or private limited companies.

(v) Phang Sze Fui
Independent Non-Executive Director

Phang Sze Fui, aged 47, is our Independent Non-Executive Director. She was appointed to our Board on 15 October 2018 and is also the Chairwoman of our Audit and Risk Management Committee as well as a member of our Remuneration Committee and Nomination Committee.

She obtained her Advanced Diploma in Commerce from Tunku Abdul Rahman College in 1997. In 1998, she obtained her professional accounting qualification from the Association of Chartered Certified Accountants, United Kingdom. She has been a member of the Malaysian Institute of Accountants since 2009 and a fellow member of the Association of Chartered Certified Accountants, United Kingdom since 2005.

She began her career as Accounts Executive in Seawood Trading Company in 1992. She subsequently started working with the company on a part-time basis from 1993 until her departure in 1995 to pursue her studies in Tunku Abdul Rahman College. During her tenure with the company, she was involved in the handling of accounting records and related administrative matters. From 1995 to 1997, she pursued her studies on a full-time basis.

Upon obtaining her diploma, she returned to work in 1997 by joining Baker Tilly Monteiro Heng as Audit Assistant, where she was primarily involved in various statutory audit assignments. She was subsequently promoted to Senior Audit Manager, Associate Director of Transaction Reporting Division and Executive Director of Transaction Reporting Division in 2005, 2007 and 2011 respectively. During her tenure there, she undertook various responsibilities including leading the audit team to conduct audit and special assignments, liaising with stakeholders, conducting training, ensuring compliance with auditing and accounting standards as well as regulatory requirements and expanding the growth of the Transaction Reporting Division. She left the firm in 2015.

In 2016, she joined Dolphin Application Sdn Bhd (a subsidiary of Dolphin International Berhad, which is listed on the Main Market of Bursa Securities) as Corporate Affairs Director responsible for supervising corporate exercises, handling special projects, overseeing investor relations and public relations matters, improving internal control systems and reporting structure, overseeing compliance matters and liaising with stakeholders. She left Dolphin Application Sdn Bhd in 2017 to pursue her own business venture, Avia Alliance Sdn Bhd, a business and accounting consultancy firm.

She currently sits on the Board of Directors of SDS Group Berhad and Kim Teck Cheong Consolidated Berhad, where she was appointed as the Independent Non-Executive Director of both companies in September 2018.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT *(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) Tajul Arifin bin Mohd Tahir

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Present involvement						
1.	Wawasan Hartamas Sdn Bhd	Dormant	Independent and Non-Executive Director	22 February 2011	-	-	-
2.	ADF Capital Berhad	Investment holding company	Independent and Non-Executive Director	27 July 2016	-	-	-
3.	Mesti Perkasa Sdn Bhd	Investment holding of business consulting businesses and provision of management services	Shareholder	-	-	0.5	-
4.	5 Pillars Ventures Sdn Bhd	Venture capital management company	Executive Director	12 March 2018	-	20.0	-
5.	Peerhealth Malaysia Sdn Bhd	Provision of healthcare-related services	Independent and Non-Executive Director	1 June 2017	-	-	-
6.	Eresos Corporation Sdn Bhd	Investment holding in quoted and unquoted shares	Shareholder	-	-	25.0	-

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

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
7.	Thenar Technology Sdn Bhd	Development, sales and licensing of software and electronic commerce solution	Independent and Non-Executive Director	26 October 2018	-	-	-
8.	Padiyo Sdn Bhd	Dormant	Independent and Non-Executive Director	31 July 2018	-	-	-
	Past involvement						
1.	Tekad Mulia Sdn Bhd	Investment holding company	Independent and Non-Executive Director	30 December 2009	20 November 2013	-	-
2.	Padiyo Solution Sdn Bhd	Dormant	Independent and Non-Executive Director	30 November 2018	16 January 2019	-	-

(ii) Por Teong Eng

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Past involvement						
1.	Des Neon Advertising Sdn Bhd	Dissolved. It was previously involved in the supply, design and installation of advertising products	Non-Independent and Non-Executive Director	20 February 2008	Dissolved	10.0	-

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

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
2.	Kejuruteraan Sepakat Maju Sdn Bhd	Provision of electrical and general engineering services	Independent and Non-Executive Director	2 June 2014	30 June 2016	-	-
3.	Mestron Marketing Sdn Bhd	Dissolved. It was previously involved in trading of lighting products	Executive Director	30 August 2010	Dissolved	50.0	-

(iii) Loon Chin Seng

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Past involvement						
1.	Mestron Marketing Sdn Bhd	Dissolved. It was previously involved in trading of lighting products.	Executive Director	10 March 2009	Dissolved	50.0	-

(iv) Phang Sze Fui

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Present involvement						
1.	Avia Alliance Sdn Bhd	Business and accounting consultancy services	Executive Director	18 July 2017	-	100.0	-

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

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
2.	Kim Teck Cheong Consolidated Berhad	Investment holding company with subsidiaries involved in the provision of distribution and warehousing services	Independent and Non-Executive Director	28 September 2018	-	-	-
3.	SDS Group Berhad	Investment holding company	Independent and Non-Executive Director	4 September 2018	-	-	-
4.	IWC Performance Innovations Sdn Bhd	Wholesale of goods and information technology services	Non-Independent and Non-Executive Director	17 December 2018	-	3.0	-
5.	Heng Hup Chiho Recycling (Malaysia) Sdn Bhd	Recycling, import and export of metal and non-metal materials	Independent and Non-Executive Director	1 February 2019	-	-	-
	Past involvement						
1.	Biogas Sulpom Sdn Bhd	Manufacturer, processors and supplier of biogas	Executive Director	14 December 2016	15 August 2017	-	-

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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 Executive Directors in those business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

It is the Director's fiduciary duty to avoid conflict. Our Directors are required to attend courses which provide guidelines to them on their fiduciary duties. To mitigate any possible conflict of interest situation in the future, 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 the companies outside of our Group. Our Nomination Committee will first evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether that there is an actual or potential conflict of interest, our Nomination Committee will then:

(a) immediately inform our Board of the conflict of interest situation;

(b) make recommendations to our Board to direct the conflicted Director to:

  (i) 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

  (ii) 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 be absent 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.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 9.1.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

5.3 KEY SENIOR MANAGEMENT

5.3.1 Key senior management's shareholdings

The shareholdings of our key senior management in our Company before and after our IPO are set out below:

		Before IPO				After IPO [1][2]			
		Direct		Indirect		Direct		Indirect	
Name	**Designation/ Nationality**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares [2]**	**%**	**No. of Shares**	**%**
Lee Chun Heng	Head of Sales & Marketing/ Malaysian	-	-	-	-	1,220,000	0.2	-	-
Tan Hock Choon	Production Manager/ Malaysian	-	-	-	-	175,000	*	-	-
Lai Jian Hong	Chief Financial Officer/ Malaysian					130,000	*		
Neo Yeung Tat	Technical Manager/ Malaysian	-	-	-	-	395,000	0.1	-	-

Notes:

* Less than 0.1%

(1) Based on the enlarged share capital of 790,000,000 Shares after the IPO.

(2) Assuming that our key senior management will fully subscribe for their respective entitlements under the Pink Form Allocations.

5.3.2 Profiles of key senior management

The profiles of our key senior management are as follows:

(i) Lee Chun Heng
Head of Sales and Marketing

Lee Chun Heng, Malaysian, aged 45, is our Head of Sales and Marketing and is responsible for the overall sales and marketing activities of our Group.

He obtained his Certificate of Business Studies from Stamford College Malaysia in 1996. Upon graduation in 1996, he started his career with Resorts World Berhad (now known as Genting Malaysia Berhad), a leisure and hospitality company, as Marketing Assistant. During his tenure, he was responsible for the advertising and marketing activities of the company.

In 2002, he left Resorts World Berhad (now known as Genting Malaysia Berhad) as a Marketing Manager and joined his family company, Syarikat Perniagaan Meng Tuck, a used-car dealer, as Sales and Marketing Manager where he was responsible in managing the sales and marketing operation of the company. In 2005, he left Syarikat Perniagaan Meng Tuck and joined Signage Universe Sdn Bhd, an advertising and events company, as Sales and Marketing Manager. In 2008, he left Signage Universe Sdn Bhd and joined M Stage Asia Sdn Bhd, an event management company, as Marketing Manager. During his tenure, he was involved in planning and organising events and road shows for multinational companies.

In 2009, he left M Stage Asia Sdn Bhd and joined our Group as our Sales and Marketing Manager. Subsequently in 2015, he was promoted to his current roles as the Head of Sales and Marketing. He brings with him over 22 years of experience in sales and marketing.

Presently, he does not hold directorship in any other public listed companies or private limited companies.

(ii) Tan Hock Choon
Production Manager

Tan Hock Choon, Malaysian, aged 39, is our Production Manager and is responsible for overseeing our manufacturing activities.

He graduated with a Bachelor of Mechanical Engineering from Universiti Kebangsaan Malaysia in 2004. Upon graduation in 2004, he began his career with Malayawata Steel Berhad (now known as Ann Joo Resources Berhad), as a Procurement Engineer where he was involved in overseeing the sourcing and procurement of engineering consumable parts, equipment and external services used in the manufacturing process.

In 2006, he left Malayawata Steel Berhad and joined Galvapole Industries Sdn Bhd as Production Engineer, where he was responsible for the overall manufacturing planning for steel poles, design of steel poles' structure for various applications as well as supervising production workers in the overall manufacturing operation. He was promoted to Senior Production Engineer in 2008, and later to Factory Manager in 2012. During his tenure with Galvapole Industries Sdn Bhd, he was responsible for the overall management of the production facility and was involved in quality assurance, machinery inspection and maintenance as well as the process improvement activities for the production operation.

In 2016, he left Galvapole Industries Sdn Bhd and joined Impact Renewable Solutions Sdn Bhd, a company focusing on renewable energy solutions, as Production Manager, where he was responsible for overseeing the material procurement, research & development activities and overall production processes of solar thermal products.

In 2017, he left Impact Renewable Solutions Sdn Bhd and joined our Group in his present position as Production Manager where he is responsible in managing our manufacturing facility to ensure minimal interruption in our manufacturing operation. He brings with over 14 years of experience in management of manufacturing facilities and manufacturing operations.

Presently, he does not hold directorship in any other public listed companies or private limited companies.

(iii) Lai Jian Hong
Chief Financial Officer

Lai Jian Hong, Malaysian, aged 27, is our Chief Financial Officer and is responsible for handling our Group's overall finance functions including the monitoring of financial performance and results, financial reporting, treasury management and tax compliance.

He graduated with a Bachelor of Arts in Accounting and Finance from University of the West of England, United Kingdom in 2013. He obtained his associate membership in the Association of Chartered Certified Accountants, United Kingdom in May 2018 and membership in the Malaysian Institute of Accountants in September 2018.

He began his career as an Administrative Executive in his family company, Orbiting Scientific & Technology Sdn Bhd, a distributor of advanced scientific instruments and laboratory accessories, on part-time basis while pursuing his tertiary education and professional affiliation of Association of Chartered Certified Accountants, United Kingdom from 2010 to 2015. During his tenure in Orbiting Scientific & Technology Sdn Bhd, he was mainly responsible in handling the company's accounting records, preparation of annual budget and sales forecast, formulating internal control practices, credit control for accounts receivables and other administrative matters.

In 2015, he left Orbiting Scientific & Technology Sdn Bhd and joined Grant Thornton Malaysia as an Audit Associate and was promoted to Senior Audit Associate in 2016, where he was involved in statutory audit assignments and special audit assignments for corporate exercises in Malaysia. In April 2018, he was promoted to Audit Supervisor where his role was extended to leading and monitoring a team of audit associates in various audit assignments. He left the firm in July 2018.

During his tenure in Grant Thornton Malaysia, he was also involved in the audit assignment of our financial statements for FYE 2015 to 2017 from April 2018 up to his departure in July 2018, as part of our IPO process.

In August 2018, he was recruited to join our Group as Finance and Accounts Manager given his understanding of our business operations gained from his involvement in the audit process of our Group. In April 2019, he was promoted to his current position as the Chief Financial Officer of our Group.

Presently, he does not hold directorship in any other public listed companies or private limited companies.

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

(iv) Neo Yeung Tat
Technical Manager

Neo Yeung Tat, Malaysian, aged 28, is our Technical Manager and is responsible for overseeing the design and development of our products. He graduated with a Bachelor of Engineering in Mechanical Engineering from INTI International University in 2014 and a Master of Engineering in Mechanical Engineering from University of Bradford, United Kingdom in 2015.

Upon graduation in 2015, he joined our Group as Technical Design Engineer. During his tenure, he was involved in the evaluation and enhancement of pole designs, preparation of street lighting simulation reports and addressing various technical issues. In 2018, he was promoted to his present position to lead our technical team.

Presently, he does not hold directorship in any other public listed companies or private limited companies.

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

5.3.3 Principal business performed outside our Group

Save as disclosed below, none of our key senior management has any other principal directorship and/or principal business activities performed outside our Group as at the LPD:

(i) Lai Jian Hong

	Company	Principal activities	Involvement/ Position held	Date of appointment	Date of resignation	% of shareholdings held (direct)	% of shareholdings held (indirect)
	Present involvement						
1.	Orbiting Scientific & Technology Sdn Bhd	Distributor of advanced scientific instruments and laboratory accessories	Shareholder	-	-	20.0	-

The involvement of our key senior management for the business activities outside out Group does not give rise to any conflict of interest situation with our business. Their involvement in such business activities does not require significant amount of time, and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

5.4 RELATIONSHIPS AND/OR ASSOCIATIONS

There are no family relationships or association between or amongst our Promoters, substantial shareholders, Directors and key senior management as at the LPD.

5.5 DIRECTORS' AND KEY SENIOR MANAGEMENT'S REMUNERATION AND BENEFITS

5.5.1 Directors' 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 2018 and 2019 are as follows:

FYE 2018	Directors' fees	Salaries	Bonuses	Benefits-in-kind and allowance	Total
Director	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Tajul Arifin bin Mohd Tahir [(2)]	10	-	-	-	10
Por Teong Eng	-	540		-	540
Loon Chin Seng	-	540		-	540
Leong Peng Phooi [(2)]	6	-	-	-	6
Phang Sze Fui [(2)]	13	-	-	-	13

Proposed for FYE 2019	Directors' fees	Salaries	Bonuses [(1)]	Benefits-in-kind and allowance	Total
Director	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Tajul Arifin bin Mohd Tahir [(2)]	60	-	-	-	60
Por Teong Eng	-	600	-	-	600
Loon Chin Seng	-	600	-	-	600
Leong Peng Phooi [(2)]	36	-	-	-	36
Phang Sze Fui [(2)]	78	-	-	-	78

Notes:

(1) The bonuses for FYE 2019 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.

(2) Appointed in October 2018.

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 13.1 for further details.

5.5.2 Key senior management's remuneration and benefits

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 2018 and 2019 are as follows:

	Remuneration band (in bands of RM50,000)		
FYE 2018	**Remuneration**	**Benefits-in-kind**	**Total**
Key senior management	**RM'000**	**RM'000**	**RM'000**
Lee Chun Heng	250 - 300	0 - 50	250 - 300
Tan Hock Choon	100 - 150	-	100 - 150
Lai Jian Hong [(1)]	0 - 50	0 - 50	0 - 50
Neo Yeung Tat	50 - 100	0 - 50	50 - 100

	Remuneration band (in bands of RM50,000)		
Proposed for FYE 2019	**Remuneration [(2)]**	**Benefits-in-kind**	**Total**
Key senior management	**RM'000**	**RM'000**	**RM'000**
Lee Chun Heng	300 - 350	0 - 50	300 - 350
Tan Hock Choon	150 - 200	-	150 - 200
Lai Jian Hong	100 - 150	0 - 50	100 - 150
Neo Yeung Tat	50 - 100	0 - 50	50 - 100

Notes:

(1) Lai Jian Hong joined our Group as Finance and Accounts Manager in August 2018.

(2) The bonuses for FYE 2019 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group.

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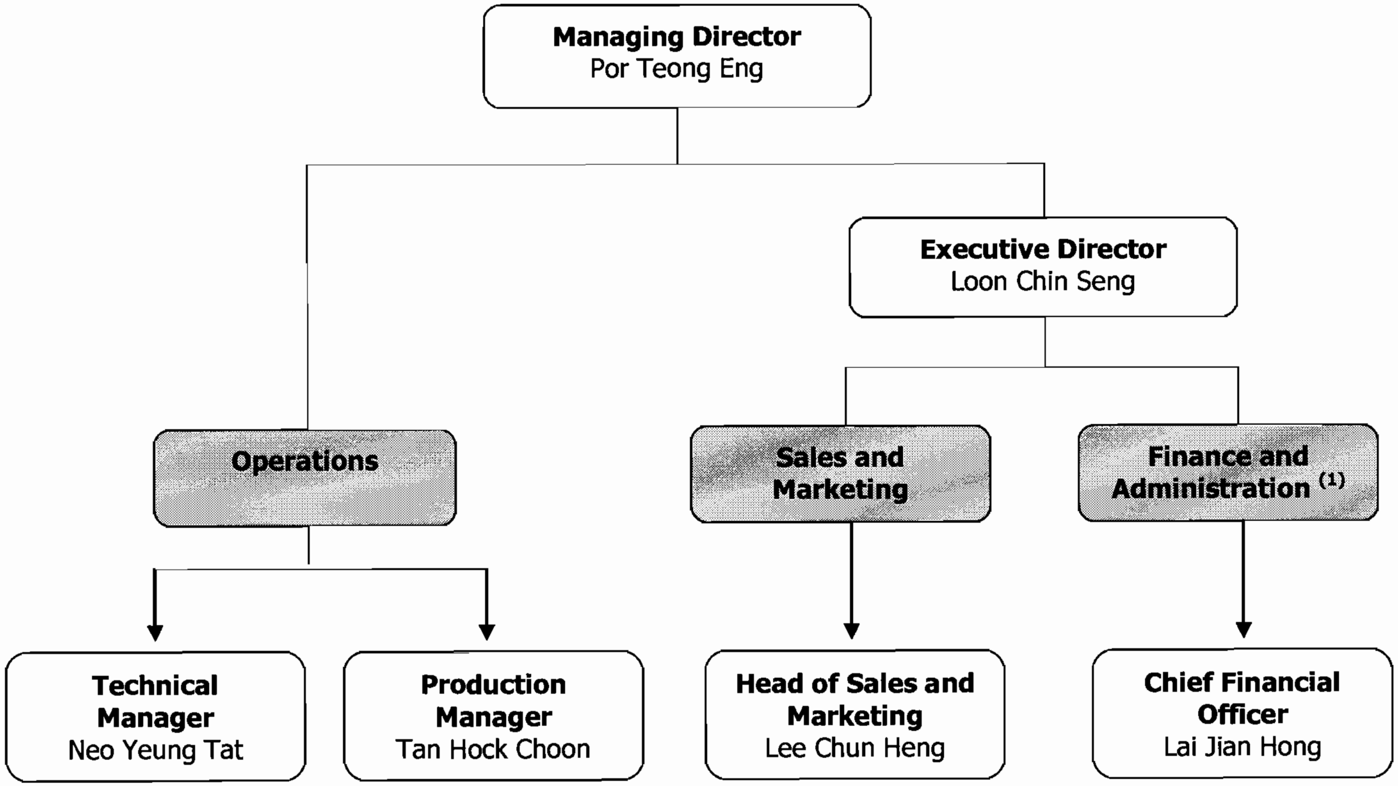
5.6 MANAGEMENT REPORTING STRUCTURE



Note:

(1) Prior to the recruitment of our Chief Financial Officer, Lai Jian Hong in August 2018, the finance function of our Group was under the purview of our Executive Director, Loon Chin Seng and supported by 2 Account Executives.

5.7 BOARD PRACTICE

5.7.1 Board

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

(a) To provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;

(b) 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;

(c) 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;

(d) To ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance;

(e) To review and approve our annual business plans, financial statements and annual reports;

(f) 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

(g) 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.

In accordance with our Constitution, an election of Directors shall take place each year at the annual general meeting of the Company, where one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election. This is provided always that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

All of our Directors were only appointed to our Board in October 2018 and have served for less than 1 year as at the LPD. All our Directors will retire and be eligible for re-election at our forthcoming first annual general meeting. Thereafter, at every subsequent annual general meeting, one-third of our Directors at that time, or, if their number is not 3 or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election.

The members of our Board are set out in Section 5.2.

5.7.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its responsibility to oversee our Group's accounting and financial reporting matters as well as lead our strategic direction in the management of our business risks, including oversight on the establishment and implementation of a risk management framework and reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management. The Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

(a) 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;

(b) 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;

(c) To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;

(d) To consider the major findings of internal investigations and management's response;

(e) To perform such other functions as may be requested by our Board;

(f) To oversee and recommend the risk management policies and procedures of our Group;

(g) To review and recommend changes as needed to ensure that our Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;

(h) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;

(i) To set reporting guidelines for management to report to the committee on the effectiveness of our Group's management of its business risks;

(j) To review the risk profile of our Group and to evaluate the measures taken to mitigate the business risks;

(k) To review the adequacy of management response to issues identified in risk registers, ensuring that our risks are managed within our Group's risk appetite; and

(l) To perform the oversight function over the administration of the whistleblowing policy that is approved and adopted by the Board to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs to enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all our stakeholders.

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

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

Name	Designation	Directorship
Phang Sze Fui	Chairwoman	Independent Non-Executive Director
Tajul Arifin bin Mohd Tahir	Member	Independent Non-Executive Chairman
Leong Peng Phooi	Member	Independent Non-Executive Director

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

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

(a) To recommend a framework of remuneration for Directors for the Board's approval. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain Directors of calibre, and yet not excessive. The framework should cover all aspects of remuneration including Director's fee, salaries, allowance, bonuses, options and benefit-in-kind;

(b) To recommend specific remuneration packages for Executive Directors including our Managing Director. The remuneration package should be structured such that it is competitive. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board;

(c) To ensure the establishment of a formal and transparent procedure for developing policies, strategies and framework for the remuneration of Executive Directors; and

(d) To perform any other functions as defined by the Board.

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
Tajul Arifin bin Mohd Tahir	Chairman	Independent Non-Executive Chairman
Phang Sze Fui	Member	Independent Non-Executive Director
Leong Peng Phooi	Member	Independent Non-Executive Director

5.7.4 Nomination Committee

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

(a) To assist our Board in the effective discharge of its responsibility to ensure that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;

(b) To ensure appropriate selection criteria and processes and to identify and recommend to our Board, candidates for directorships of our Company and members of the relevant Board committees;

(c) To evaluate the effectiveness of our Board and the relevant Board committees; and

(d) To ensure an appropriate framework and succession planning for our Board.

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
Tajul Arifin bin Mohd Tahir	Chairman	Independent Non-Executive Chairman
Phang Sze Fui	Member	Independent Non-Executive Director
Leong Peng Phooi	Member	Independent Non-Executive Director

5.8 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.

5.9 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):

(a) 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;

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

(b) Disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) In the last 10 years, charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(d) 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;

(e) 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;

(f) 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;

(g) Being the subject of any current investigation or disciplinary proceeding, or 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

(h) Has any unsatisfied judgment against him.

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6. INFORMATION ON OUR GROUP

6.1 INCORPORATION AND HISTORY OF OUR GROUP

6.1.1 Overview of our Group

Our Company was incorporated in Malaysia on 18 May 2018 under the Act as a public limited company under our present name, Mestron Holdings Berhad. Our Company was incorporated as a special purpose vehicle to facilitate the listing of Mestron Engineering and its subsidiaries on the ACE Market.

On 12 October 2018, we entered into a conditional share sale agreement to acquire 100.0% equity interest in Mestron Engineering. The Acquisition of Mestron Engineering was completed on 25 April 2019. Thereafter, Mestron Engineering became a wholly owned subsidiary of our Company and its subsidiaries, namely Meslite and Max Lighting became indirect wholly owned subsidiaries of our Company. Further details on the Acquisition of Mestron Engineering and our corporate structure are set out in Section 6.2.

Our Company is an investment holding company. Through our subsidiaries, we are principally involved in the following activities:

(i) Manufacturing of steel poles comprising standard street light poles, decorative light poles and specialty poles; and

(ii) Trading of outdoor lighting products.

6.1.2 Background and history of our business

The history of our Group can be traced back to the establishment of Mestron Engineering in 2002. During that time, most major street light pole manufacturing companies in Malaysia were focused on the manufacturing of standard street light poles, which required less or minimal customisation or design. Realising the market potential for decorative light poles in Malaysia, Por Teong Eng and Loon Chin Seng established Mestron Engineering and ventured into customised or decorative steel pole manufacturing. However, one of the co-founders (now our Executive Director), Loon Chin Seng decided to withdraw himself from the venture in the same year and continued with his full time employment due to personal reasons. As such, our business during our formative years was mainly spearheaded by our Managing Director, Por Teong Eng up until Loon Chin Seng re-joined our Group as Executive Director in 2006 to spearhead our Group's business development activities. Since then, our Group's business operations were jointly led by our Promoters.

Since incorporation, our Group has achieved the following milestones:

Manufacturing segment

- **We have developed from a small scale light pole manufacturer to a supplier of steel poles for various high-profile construction projects**

  Between 2002 and 2008, we manufactured and distributed decorative light poles and standard street light poles on a small-scale basis as we supplied in small quantities for private roads and walkways, or as a contract manufacturer for other street light pole manufacturers. Our sales at the time were mostly secured through electrical product distributors, construction companies and other street light pole manufacturers.

In 2009, our street light pole products were certified by SIRIM QAS International Sdn Bhd to be compliant with BS EN 40 – 5:2002, the official standard used for structural steel street light poles in Malaysia. In the same year, we also obtained approval from JKR for our products to be used on public roads in Malaysia. We later obtained our ISO 9001:2008 certification from Lloyd's Register Quality Assurance for the design and manufacture of lighting poles in 2010.

Our accreditations allowed us to supply standard street light poles for public roads and highways, and sizeable infrastructure projects in Malaysia. Between 2009 and 2010, we supplied both standard and decorative street light poles and specialty poles for Jalan Coastal in Sabah, the Danga Bay and Larkin Bus Terminal projects in Johor, as well as the Stadium Kuala Pilah project in Negeri Sembilan.

Further, our accreditations also helped us to secure sizeable decorative light pole orders for major residential and commercial developments. Our first major sale of decorative and standard street light poles was for a residential development project in Bandar Sri Sendayan in Seremban, Negeri Sembilan in 2010. This was the first order we received from a property developer, and thereafter our property developer clientele expanded as we supplied to Eco Majestic Sdn Bhd (a subsidiary of Eco World Development Berhad), GME-CI (GIBS2) Joint Venture (which is part of Gamuda Berhad) and MKH Building Materials Sdn Bhd (a subsidiary of MKH Berhad).

In view of the growth in demand for our decorative light pole, Meslite was established in 2010 to expand our decorative light pole segment to include the manufacture of decorative compound light poles, which were mainly used on pedestrian walkways and bridges.

Sales of our standard street light pole and decorative light poles continue to grow between 2011 and 2015 as we continued to secure orders for these products for residential, commercial and infrastructure projects in Malaysia.

We started supplying standard street light poles for highways, including the East Klang Valley Expressway and Coastal Highway Southern Link in 2016.

Our business continued growing in 2016 and 2017. We supplied light poles for several key residential township developments in Malaysia including Eco Majestic in 2016, as well as Eco Summer, Eco Spring and Hill Park Town in 2017. We also secured orders of standard street light poles for several other high-profile projects including the LRT Ampang line extension project, the Sungai Buloh – Kajang MRT Line and the Bukit Jalil National Sports Complex refurbishment project in 2017.

In 2018, we secured orders of light poles for key residential township developments in Malaysia including Eco Forest, Diamond City Semenyih and Gamuda Gardens.

- **We expanded our specialty pole product range, allowing us to serve other end-user industries**

Since the start of our business, we have, on the request of our regular customers, supplied camera and traffic poles. We were able to fulfil these requests as the technical expertise required to manufacture these poles did not differ significantly from the expertise required for standard street light poles and decorative light poles.

In 2006, we began to expand our range of specialty poles to include mining light poles, when we secured an order from an Australia-based light pole supplier. Our first order of mining light poles were in the form of mid-hinge collapsible poles. The technical expertise required to manufacture mining light poles does not differ significantly from standard street light poles. However, mining light poles may require customisation in accordance to the mining site condition to allow for ease of maintenance and mounting.

When we relocated to our Main Manufacturing Facility in 2016 from our previous manufacturing facility located at Taman Perindustrian Meranti Permai, Puchong, we acquired a new press brake machine which enabled us to automate the manufacturing of pole sections of up to 12 meters in length. This enabled us to manufacture large poles, which are commonly used as telecommunication monopoles, oil and gas light poles and high mast poles.

We secured our first order for oil and gas light poles from a Korea-based specialised contractor in 2016. Similar to mining light poles, the manufacture of oil and gas light poles does not requires any special technical expertise but require customisations in accordance to the oil and gas platform conditions to allow for ease of maintenance and mounting.

In 2017, we secured our first sale for telecommunication monopoles from a contractor to one of the major telecommunication companies in Malaysia.

- **We expanded our operating capacity and manufacturing capabilities to accommodate our business expansion**

Mestron Engineering commenced manufacturing steel poles out of a rented light industrial lot measuring 2,000 sq ft in Pusat Bandar Puchong, with an operating capacity of approximately 150 MT per annum. As described above, the rented manufacturing facility facilitated the manufacture of our steel poles on a small scale basis from 2002 to 2008.

To accommodate for increasing demand of our steel poles, Mestron Engineering acquired additional machinery and moved to a larger rented manufacturing facility in Taman Mas Sepang, Puchong measuring approximately 7,600 sq ft in 2004. With the expansion of our manufacturing facility, we were able to increase our operating capacity to approximately 460 MT per annum. With machinery to undertake steel plate rolling, shearing and bending processes, we were able to semi-automate our key manufacturing processes which were previously performed manually. This allowed us to undertake more orders and reduce reliance on manual labour, enabling us to increase production efficiency and minimise wastages.

In 2006, we further expanded our operating capacity when Mestron Engineering acquired additional machinery and relocated to a larger rented manufacturing facility with a built-up area of approximately 37,300 sq ft in Taman Perindustrian Meranti Permai, Puchong. Our expansion and acquisition of additional machinery for steel shearing and bending provided us with additional capacity to manufacture camera, traffic and mid-hinge collapsible poles (collectively categorised as specialty poles). As we could not fully undertake the manufacture of larger poles (e.g. high mast and oil and gas light poles) in-house, we outsourced the manufacturing of these poles as and when we received orders. Our operating capacity in 2006 was approximately 1,800 MT per annum. As we begin to secure orders for public roads and highways, and sizeable infrastructure projects in 2009, we acquired more machinery and expanded our workforce to increase our operating capacity. Between 2009 and 2015, our operating capacity of this manufacturing facility ranged between 3,300 MT and 3,500 MT per annum.

In 2016, Mestron Engineering acquired and relocated the manufacturing activities for our standard and decorative street light poles as well as specialty poles to our Main Manufacturing Facility in order to accommodate the growth in business activities. Our Main Manufacturing Facility has a land area and built-up area of 120,190 sq ft and 61,518 sq ft respectively, and is equipped with a robotic cutting machine, 3 CNC machineries as well as a press brake machine which has the capability to manufacture large poles. Consequently, our operating capacity of our Main Manufacturing Facility grew to approximately 5,230 MT per annum.

In the following year, Mestron Engineering set up its storage area at the Adjacent Land which was acquired by Mestron Engineering in the same year. In the past, our storage area had limited space as it shared the same premise as our manufacturing facilities. With a larger premise and additional storage area to house our inventories of raw materials and products, we were able to streamline our manufacturing activities and expand our operating capacity for all product segments.

In 2010, Meslite was established to undertake the manufacturing of decorative compound light poles as we expand our decorative light pole segment. Decorative compound light poles are smaller than decorative light poles, and are typically used on pedestrian walkways and bridges. The technical expertise required in the manufacture of decorative compound light poles does not differ from decorative light poles. In view of that, we rented a separate manufacturing facility with a built-up area of approximately 7,904 sq ft in Taman Perindustrian Meranti Jaya, Puchong for the manufacturing operations of Meslite. The operating capacity of this manufacturing facility was approximately 330 MT per annum. We later relocated our decorative compound light pole manufacturing activities to Investment Property A and Investment Property B which were acquired by Mestron Engineering and Meslite respectively in 2012. The Investment Property A and Investment Property B had a combined built-up area of approximately 5,702 sq ft and an operating capacity of approximately 240 MT per annum.

In 2017, we relocated our manufacturing facility for decorative compound light poles when Meslite acquired Meslite's Factory with a larger built-up area of 10,563 sq ft, as business for this product segment grew. In line with the expansion of our manufacturing facility for decorative compound light poles, our operating capacity for this segment grew to approximately 440 MT per annum. The previous premise, namely Investment Property A and Investment Property B are currently being rented out to third party.

- **We penetrated the international markets**

We secured our first export sale in 2006 when we received an order for mining light pole, which was in the form of mid-hinge collapsible poles from a light pole supplier in Australia. We subsequently expanded the geographical coverage of our market to include Singapore, when we secured sale of standard street light poles from a light pole supplier based in Singapore in the same year.

We continued to secure orders from the international markets over the years, from countries such as Brunei, Korea, Myanmar, Sri Lanka and Maldives.

Trading segment

- **We increased our revenue stream to include trading of outdoor lighting products**

  We saw the potential of offering outdoor lighting products to complement our existing steel pole range of products and started our outdoor lighting products trading segment in 2010. By offering outdoor lighting products such as standard outdoor lighting and outdoor lighting bulbs, we are able to enhance our competitiveness in the street lighting industry as we can offer our customers the convenience of dealing with a single supplier for all their street lighting needs.

  Max Lighting was later established in 2016 to expand our range of outdoor lighting brands.

  Our Group are currently the authorised distributor for GRUPPE, NIKKON and OSRAM brands of outdoor lighting products.

Please refer to Section 6.6 for further details of our Group's business.

6.1.3 Shareholding changes of our subsidiaries

Mestron Engineering

Mestron Engineering was initially incorporated on 10 September 2002 as a shelf company. Our Promoters acquired Mestron Engineering on 25 September 2002 to venture into the light pole manufacturing business. However, Loon Chin Seng subsequently withdrew from this venture in the same year to remain at his full-time employment at that point of time. In view of this, Por Teong Eng identified a financial investor, Lee Woon Kee to acquire the shareholdings of Loon Chin Seng on 24 October 2002. Since then, the ownership of Mestron Engineering has gone through several changes which include the entry of a new financial investor, Phua Chiu Keng in place of Lee Woon Kee in 2004.

In 2006, Loon Chin Seng decided to re-join Por Teong Eng in their initial plan to establish the light pole manufacturing business and acquired 60.0% equity interest in Mestron Engineering from Phua Chiu Keng and joined the company as its Executive Director.

In 2008, our Promoters invited our customer, Longmont Management Pty Ltd (now known as Auspole Products Pty Ltd) to take up a 10.0% equity interest in Mestron Engineering. Longmont Management Pty Ltd was one of our major customers during that time.

In 2012, Longmont Management Pty Ltd decided to exit from Mestron Engineering, and its 10.0% equity interest in Mestron Engineering was acquired equally by our Promoters.

In preparation for our Listing, we have acquired the entire equity interest of Mestron Engineering on 25 April 2019, further details of which are set out in Section 6.2.

The changes in the shareholding structure of Mestron Engineering since its incorporation up to the LPD are set out in Section 13.4.1.

Meslite

Meslite was incorporated on 7 June 2010 to expand our decorative light pole product segment by undertaking the manufacturing of decorative compound light poles. The shareholdings of Meslite were initially held by Pee Kok Keong[(1)] and our Managing Director, Por Teong Eng. Our Executive Director, Loon Chin Seng subsequently became a shareholder of Meslite on 21 April 2016 through the subscription of 150,000 new ordinary shares, representing 30.0% equity interest in Meslite for a cash consideration of RM150,000.

Note:

(1) Pee Kok Keong joined Meslite since its incorporation and is mainly responsible for the technical operations of Meslite due to his expertise in the manufacturing operation of decorative compound light poles. He possessed over 25 years of working experience in the manufacturing of decorative light poles.

On 3 April 2018, our Group undertook an internal reorganisation whereby our Promoters collectively transferred their 60.0% equity interest in Meslite to Mestron Engineering for an aggregate cash consideration of RM300,000, based on their original cost of investment of RM1 per ordinary share in Meslite.

On 25 April 2019, Mestron Engineering acquired the remaining 40.0% equity interest in Meslite from Pee Kok Keong for a cash consideration of RM358,320, making Meslite a wholly owned subsidiary of our Group. The cash consideration of RM358,320 was derived at after taking into consideration the audited NA of Meslite as at 30 June 2018 of RM895,801.

The changes in the shareholding structure of Meslite since its incorporation up to the LPD are set out in Section 13.4.2.

Max Lighting

Max Lighting was incorporated on 26 February 2016 to expand our outdoor lighting product trading business. Initially, 2 members of Mestron Engineering's management team namely, Lee Chun Heng (Head of Sales and Marketing) and Mohd Faizal Bin Mohd Noor (Sales and Marketing Manager) and the brother of Loon Chin Seng, Loon Chin Meng were identified to spearhead the business development activities of Max Lighting. As such, they were the initial shareholders of Max Lighting together with our Executive Director, Loon Chin Seng. Por Teong Eng subsequently became a shareholder of Max Lighting in 10 August 2016 through the subscription of 40,000 new ordinary shares, representing 20.0% equity interest in Max Lighting for a cash consideration of RM40,000.

On 16 March 2018, our Group undertook an internal reorganisation whereby Mestron Engineering acquired 70.0% equity interest in Max Lighting from Loon Chin Seng, Loon Chin Meng and Lee Chun Heng for an aggregate cash consideration of RM140,000 while Por Teong Eng and Mohd Faizal Bin Mohd collectively disposed the remaining 30.0% equity interest in Max Lighting to Lee Yong Kong[(1)] for an aggregate cash consideration of RM60,000. The consideration was derived based on their respectively original cost of investment of RM1 per ordinary share in Max Lighting. Following their divestment, Lee Chun Heng and Mohd Faizal Bin Mohd returned to their respective roles at Mestron Engineering while Loon Chin Meng departed from Max Lighting to pursue his personal business interest in mechanical engineering consulting business, which is not in competition with the business activities of our Group.

Note:

(1) We recruited Lee Yong Kong in April 2017 to spearhead Max Lighting's business development activities due to his experience in the trading of outdoor lighting products. He possessed over 20 years of working experience in the trading business of outdoor lighting products.

On 25 April 2019, Mestron Engineering acquired the remaining 30.0% equity interest in Max Lighting from Lee Yong Kong for RM134,907, making Max Lighting a wholly owned subsidiary of our Group. The cash consideration of RM134,907 was derived at after taking into consideration the audited NA of Max Lighting as at 30 June 2018 of RM449,691.

The changes in the shareholding structure of Max Lighting since its incorporation up to the LPD are set out in Section 13.4.3.

6.1.4 Share capital

As at the LPD, our share capital is RM31,600,001.90 comprising 632,000,000 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 / Type of issue	Cumulative share capital
		RM	RM
18 May 2018	2	2/ Subscribers' shares	2
12 April 2019	631,999,998	31,599,999.90/ Issued pursuant to the Acquisition of Mestron Engineering	(1) 31,600,002

Note:

(1) Rounded up to the nearest RM1

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 RM56,880,001.90 comprising 790,000,000 Shares from the issuance of 158,000,000 Issue Shares.

6.2 DETAILS OF OUR RESTRUCTURING

To formalise our listing group in preparation of our Listing, we have undertaken the Acquisitions.

6.2.1 Acquisition of Meslite

On 25 April 2019, Mestron Engineering acquired the remaining 200,000 ordinary shares, representing 40.0% equity interest in Meslite from Pee Kok Keong for a cash purchase consideration of RM358,320. The purchase consideration was arrived at after taking into consideration the audited NA of Meslite as at 30 June 2018 of RM895,801.

6.2.2 Acquisition of Max Lighting

On 25 April 2019, Mestron Engineering acquired the remaining 60,000 ordinary shares, representing 30.0% equity interest in Max Lighting from Lee Yong Kong for a cash purchase consideration of RM134,907. The purchase consideration was arrived at after taking into consideration the audited NA of Max Lighting as at 30 June 2018 of RM449,691.

6.2.3 Acquisition of Mestron Engineering

On 25 April 2019, we acquired the entire equity interest in Mestron Engineering comprising 2,500,000 ordinary shares for a purchase consideration of RM31,599,999.90 which was arrived at after taking into consideration the audited total equity attributable to the owners of Mestron Engineering as at 30 June 2018 of RM31,659,338. The purchase consideration for the Acquisition of Mestron Engineering was satisfied by the issuance of 631,999,998 new Shares to the Vendors at an issue price of RM0.05 each.

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

Vendors	No. of shares acquired	% of share capital	Purchase consideration	No. of Shares issued
			RM	
Loon Chin Seng	1,250,000	50.0	15,799,999.95	315,999,999
Por Teong Eng	1,250,000	50.0	15,799,999.95	315,999,999
	2,500,000	**100.0**	**31,599,999.90**	**631,999,998**

The new Shares issued pursuant to the Acquisition of Mestron Engineering rank equally in all respects with our existing Shares including the voting rights and will be entitled to all rights and dividends and other distributions, the entitlement date of which are subsequent thereof.

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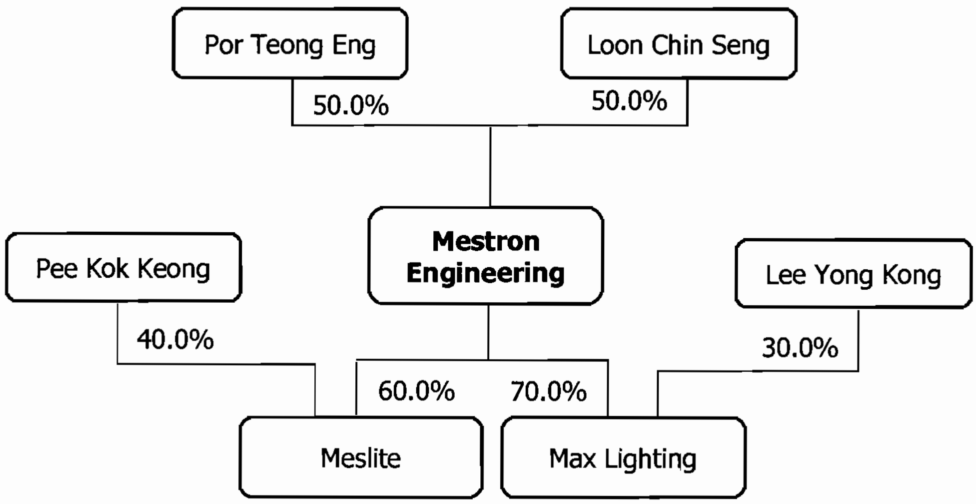
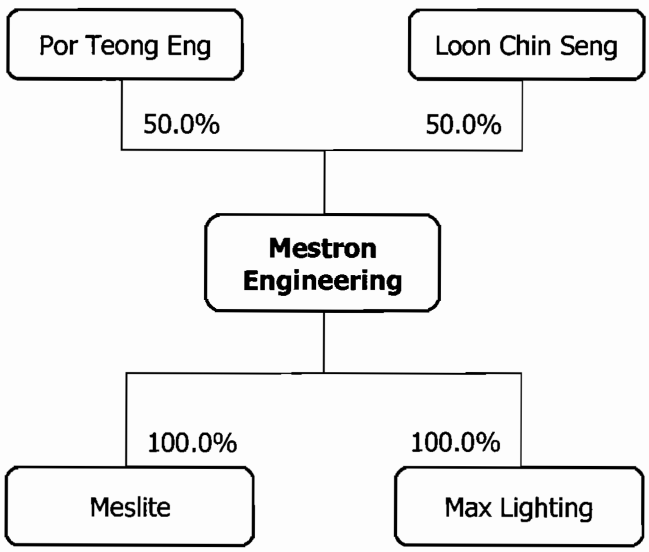
6.2.4 Group structure

Our Group structure before and after the Acquisitions is as follows:

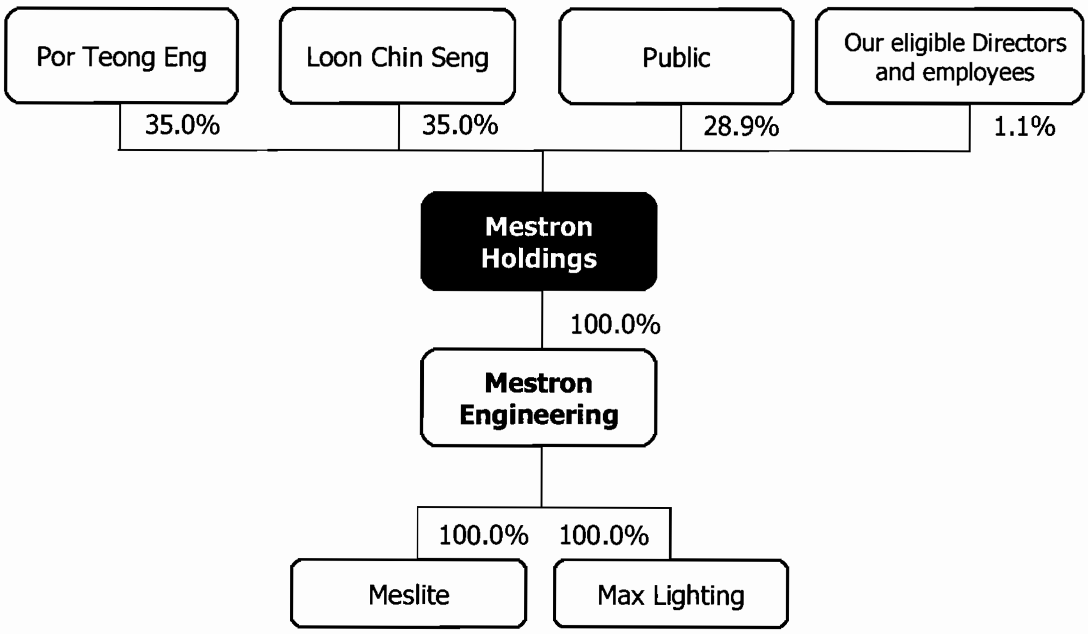
Before the Acquisitions



After the Acquisition of Meslite and Acquisition of Max Lighting but before the Acquisition of Mestron Engineering



After the Acquisitions, Public Issue and Offer for Sale



6.3 SUBSIDIARIES

As at the LPD, our subsidiaries are as follows:

Company	Company No.	Date / Place of incorporation	Principal place of business	Effective equity interest	Principal activities
				%	
Direct subsidiary					
Mestron Engineering	591970-X	10 September 2002 / Malaysia	Malaysia	100.0	Manufacturing of steel poles as well as trading of outdoor lighting products
Subsidiaries of Mestron Engineering					
Meslite	903519-A	7 June 2010 / Malaysia	Malaysia	100.0	Manufacturing of decorative compound light poles
Max Lighting	1177145-X	26 February 2016 / Malaysia	Malaysia	100.0	Trading of outdoor lighting products

6.4 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, there were no other material investment made by us for the past 4 FYE 2015 to 2018 and up to the LPD:

	At cost				
	FYE 2015	FYE 2016	FYE 2017	FYE 2018	1 January 2019 up till the LPD
Description	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Capital work-in-progress	(1) 5,885	(3) 2,426	(4) 1,334	214	-
Computer	4	67	20	58	17
Freehold building	-	-	(5) 2,830	-	-
Furniture and fittings	115	45	12	4	-
Leasehold land	-	-	(6) 6,850	59	-
Motor vehicles	(2) 1,500	441	364	(7) 857	-
Office equipment	3	33	32	20	8
Production machinery	537	1,353	188	862	82
Office renovation	-	-	19	432	-
Total	**8,044**	**4,365**	**11,649**	**2,506**	**107**

Notes:

(1) Consist of work-in-progress for the construction of our Main Manufacturing Facility and milestone payment of RM2.89 million for the purchase of Alam Puchong Land that are under development. The Alam Puchong Land was originally purchased with the intention to construct our manufacturing facility for steel poles (save for decorative compound light poles). However, as we have identified a larger piece of land where our Main Manufacturing Facility is currently built on, the Alam Puchong Land was left vacant, which we intend to dispose.

(2) Consists of the purchase of 2 company cars for our Promoters, 3 company cars for our sales and marketing personnel and a forklift.

(3) Consists of work-in-progress for the construction of our Main Manufacturing Facility, which was completed in first half of 2016.

(4) Consist of work-in-progress such as construction of fence, gates, concrete flooring and drainage works for the Adjacent Land as well as the final milestone payment of RM0.53 million for the purchase of Alam Puchong Land.

(5) Consist of the purchase of Meslite's Factory by Meslite.

(6) Consist of the purchase of the Adjacent Land which is currently our storage area.

(7) Consist of the purchase of 5 company cars for our sales and marketing personnel and 2 forklifts.

The above material investments were made within Malaysia and primarily financed by a combination of hire purchase financing, term loans 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 FYE 2015 to 2018 and up to the LPD:

	At NBV				
	FYE 2015	FYE 2016	FYE 2017	FYE 2018	1 January 2019 up till the LPD
Description	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Leasehold land and building	(1) 3,067	-	-	(3) 1,477	-
Motor vehicles	(2) 141	-	*	(4) 131	(5) *
Total	**3,208**	**-**	*****	**1,608**	*****

Notes:

* Negligible

(1) Being the disposal of a 3-storey semi-detached factory located at No. 23, Jalan MJ 16, Taman Industri Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan for a cash disposal consideration of RM3,380,000.

(2) Consist of the disposal of 2 company cars.

(3) Being the disposal of Agricultural Land A and Agricultural Land B to our Promoters for an aggregate cash consideration of RM1.45 million.

(4) Consist of the disposal of 2 company cars and 1 forklift.

(5) Consist of 1 forklift which was fully depreciated during FYE 2018.

The above capital divestitures were carried out in the ordinary course of business as part of our periodic review of our fixed asset register to identity and eliminate those assets which have been fully depreciated or no longer in use or are obsolete.

Save as disclosed in Section 6.15 and our plan to utilise part of our proceeds to expand our Main Manufacturing Facility as set out in Section 4.8 of the Prospectus, we do not have any firm commitment to undertake any other material investments and divestiture as at the LPD.

6.5 PUBLIC TAKE-OVERS

Since our incorporation up to the LPD, there were:

(a) no public take-over offers by third parties in respect of our Shares; and

(b) no public take-over offers by our Company in respect of other companies' shares.

6.6 PRINCIPAL BUSINESS ACTIVITIES AND PRODUCTS

6.6.1 Principal business activities

We are principally involved in the manufacturing of steel poles as well as trading of outdoor lighting products. We supply our products to M&E contractors, property development companies as well as specialised contractors in the telecommunication, oil and gas and mining industries for their onward installation of our products. In addition, we also sell our products through electrical product distributors and steel pole suppliers. In certain occasions, we secure orders directly from highway concessionaires and main construction and engineering companies.

The following diagram illustrates our Group's business segments:

Subsidiaries involved	Mestron Engineering	
	Meslite	Max Lighting
Business segments	Manufacturing of steel poles	Trading of outdoor lighting products
Product segments	• Standard street light poles • Decorative light poles • Specialty poles	• Outdoor lighting products

End-user industries	Infrastructure construction sub-sector	Commercial and residential construction sub-sector	Telecommunication, oil and gas and mining industries
Customers	• M&E contractors • Steel pole suppliers • Highway concessionaires • Main construction and engineering companies	• Property development companies • M&E contractors • Electrical products distributors	• Specialised contractors [(1)] • Steel pole suppliers • Electrical products distributors

Note:

(1) Refers to contractors specialised in the engineering, procurement or construction of telecommunication infrastructure or oil and gas offshore platforms or mining sites.

6.6.2 Our products

We are a manufacturer of steel poles. To complement our street light pole products, we are also involved in the trading of outdoor lighting products.

Our range of products can be categorised as follows:

(i) Steel poles

Steel poles are steel columns used to support outdoor lighting products and other electrical products (such as cameras, traffic light signals and antennas). These poles also house cables and wiring for these outdoor lighting and electrical products.

Some of our steel poles are customised in accordance to customers' specifications in terms of height, length and design. Further, we are also able to provide value-added services to our customers by advising them on the size, material, design and height required to support the number of outdoor lighting products. This analysis is performed through the use of structural engineering design software that we acquired from external software provider, namely PLS-POLE and STAAD.Pro.

As and when required by our customers, these poles are galvanised and/or powder coated with an anti-stick coating to enhance physical properties as well as prevent corrosion and adhesion of adhesives (such as tapes, stickers and vinyl used for advertisements and posters).

Our steel poles can be broadly categorised into the following usages:

(i) Street light poles that are used to illuminate public and private roads, highways, pedestrian walkways and bridges to support traffic and public safety and traffic flow. These poles comprise standard street light poles and decorative light poles.

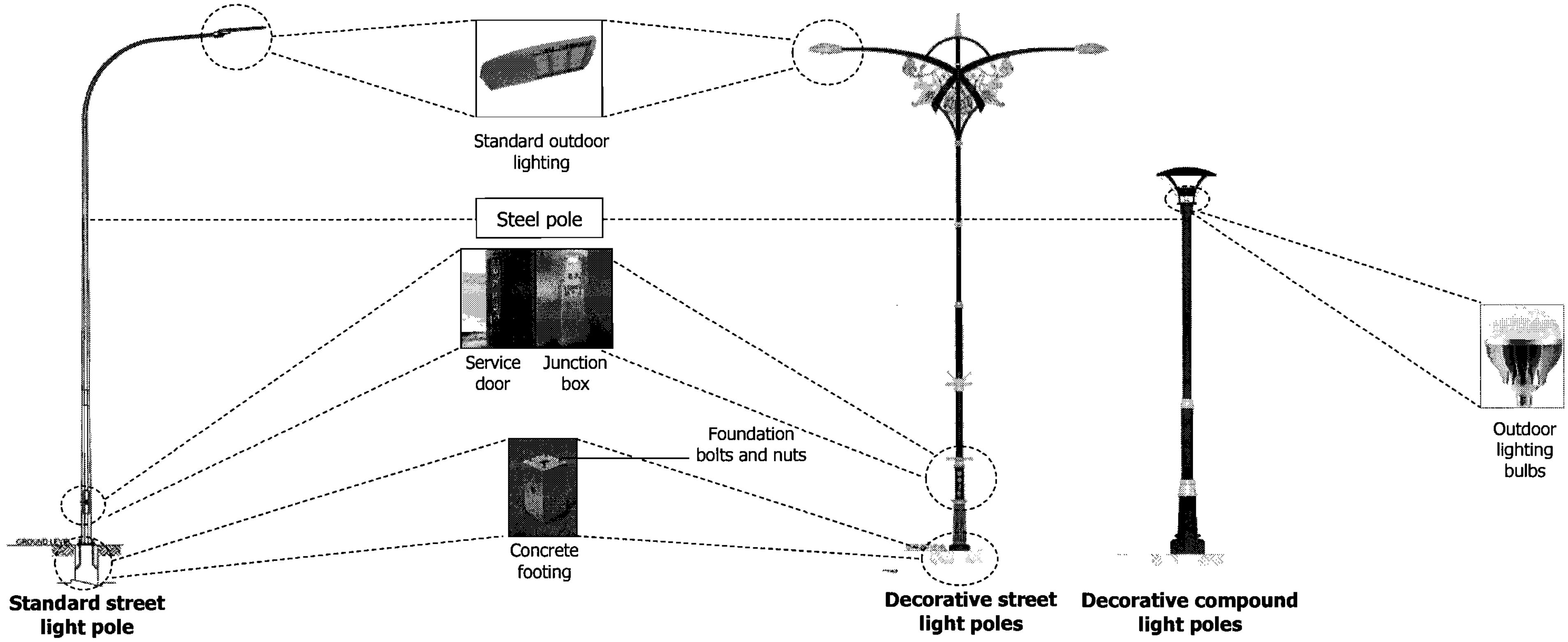
Our standard street light poles comply with specifications by JKR, enabling them to be used on public roads and highways. Standard street light poles can also be used on private roads and in residential and commercial developments. Standard street light poles are also the most commonly used street light poles to be used on roads and highways.

Decorative light poles comprise decorative street light poles and decorative compound light poles. These poles are not required to comply with specifications by JKR. It is typically used on private roads, pedestrian walkways and bridges. Nevertheless, they can also be used on public roads and highways provided that they are approved by JKR.

(ii) Specialty poles are poles which are tailored to our customer's specification and design and have a variety of usages such as supporting telecommunication hardware, traffic monitoring and signalling system, security monitoring system as well as illuminating oil and gas platforms and mining sites. These poles comprise telecommunication monopole, high mast poles, camera poles, traffic poles, mid-hinge collapsible as well as oil and gas and mining light poles.

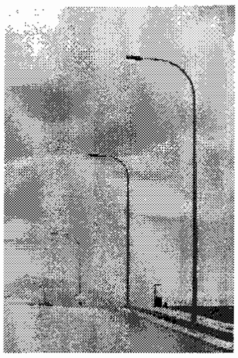
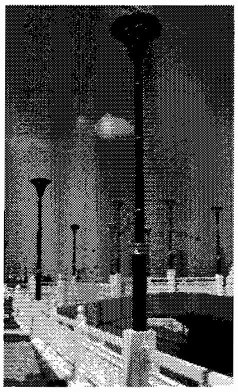
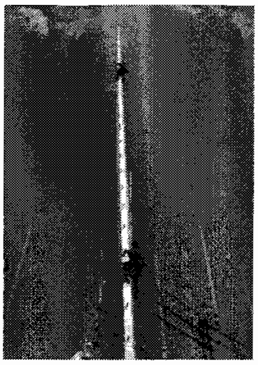
6. INFORMATION ON OUR GROUP *(Cont'd)*

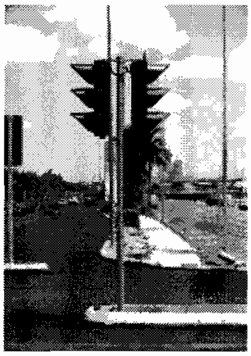
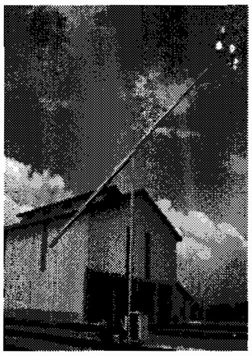
The following diagram illustrates the components of a typical standard and decorative street light pole and decorative compound light pole:



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

The types of steel poles we manufacture are summarised below:

Key Products	Description
Street light pole Standard street light pole 	• Most commonly used on public roads, highways and pedestrian walkways • Tapered octagonal shape • Requires compliance with JKR's specifications and BS EN 40 – 5:2002
Decorative street light pole  	• Decorative light pole comprises: - Decorative street light pole: Typically used on private roads in residential and commercial developments. In certain cases, it can also be used on public roads and highways. - Decorative compound light pole: Typically used on pedestrian walkways and bridges • Aesthetic designs are in accordance to customers' specifications
Specialty pole Telecommunication monopole 	• Used to support antenna mounting hardware and platforms for telecommunication applications

Key Products	Description
High mast pole 	• Has a high load capacity (able to support multiple outdoor lighting products) • Has the capability of being lowered to the ground via an electrically operated winch system to allow for periodic maintenance • Typically used in infrastructure construction sub-sector
Camera pole 	• Used to support traffic surveillance and security monitoring cameras • Typically in an aerodynamic polygonal shape to reduce the oscillation effect of wind which affects image quality
Traffic pole 	• Used to support traffic light signals
Mid-hinge collapsible pole 	• Allow for ease of maintenance as height is adjustable • Used in situations where access to maintenance is restricted • Typically used in construction industry, oil and gas sector as well as mining sector

Key Products	Description
Oil and gas, and mining light poles 	• Used on offshore oil and gas platforms or in mining sites • Mounted along handrails and walls

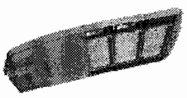
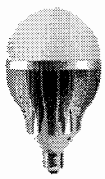
As and when required, our steel poles are sold together with related accessories which include, amongst others:

- Service door : A fibreglass or steel door on the steel pole that enables maintenance of electrical products
- Junction box : An enclosure housing and protecting electrical wiring
- Concrete footing : A concrete foundation embedded into the ground which can support the weight of the steel pole above ground
- Foundation bolts and nuts : An anchor bolt used to fasten the poles into the concrete footing

(ii) Outdoor lighting products

Lighting products refer to devices that provide light when connected to an electricity source and forms part of street lighting. To complement our steel poles, we are also involved in the trading of outdoor lighting products. We normally sell our outdoor lighting products to our steel pole customers.

We distribute outdoor lighting products of different international brands, types and specifications (in terms of types, wattage and safety features). Our outdoor lighting products can be broadly categorised as follows:

Standard outdoor lighting	Outdoor lighting bulbs
	
• Used in standard street light poles and decorative street light poles	• Used in lanterns as part of decorative light poles

Our Group are the authorised distributor for the following brands of outdoor lighting products:

Brands	Companies within our Group with authorised distributorship	Suppliers
"GRUPPE"	Max Lighting	Gruppe Lighting Solution Sdn Bhd[(1)]
"NIKKON"	Mestron Engineering	Success Transformer Marketing Sdn Bhd (subsidiary of Success Transformer Corporation Berhad)[(1)]
"OSRAM"	Max Lighting	OSRAM (M) Sdn Bhd[(2)]

Notes:

(1) Not subject to any material terms and conditions or requirements (i.e. minimum purchase commitment) and have no expiry date.

(2) Not subject to any material terms and conditions or requirements (i.e. minimum purchase commitment) but subjected to yearly renewal by OSRAM (M) Sdn Bhd. The renewal will be granted by OSRAM (M) Sdn Bhd at its own discretion after taking into consideration its previous business dealings with our Group.

The authorised distributorships arrangement from the abovementioned suppliers are non-exclusive and includes technical support (i.e. issuance of simulation report to advise our customer in terms of luminance and number of outdoor lighting products required in order to achieve the desired visibility level) as well as competitive pricing for products sourced.

6.7 PRINCIPAL MARKETS

Our principal market is Malaysia. We also export our steel pole products to international markets, primarily to Australia, Singapore and Korea. The breakdown of our sales revenue by geographical location for the past 4 FYE 2015 to 2018 are as follows:

Geographical location	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	34,991	86.3	36,857	83.1	56,325	92.7	58,999	92.7
Australia	3,666	9.1	3,735	8.4	2,083	3.4	1,171	1.8
Singapore	1,836	4.5	2,696	6.1	1,234	2.1	628	1.0
Korea	-	-	750	1.7	459	0.8	2,282	3.6
Others [(1)]	47	0.1	336	0.7	646	1.0	600	0.9
Total Revenue	**40,540**	**100.0**	**44,374**	**100.0**	**60,747**	**100.0**	**63,680**	**100.0**

Note:

(1) Others include Brunei, Myanmar, Sri Lanka and Maldives.

Our revenue derived from the Malaysian market increased from 86.3% in FYE 2015 to 92.7% in FYE 2018 as a result of the increase in production capacity following our relocation to the Main Manufacturing Facility in April 2016, which allowed us to increase our participation in local infrastructures projects such as East Klang Valley Expressway and Coastal Highway Southern Link.

Our revenue contribution from Australia decreased from 8.4% in FYE 2016 to 1.8% in FYE 2018 mainly due the slowdown in mining industries in Australia and the reduction in sales to one of our major Australia customer, namely Auspole Products Pty Ltd. We no longer have any transaction with Auspole Products Pty Ltd subsequent to October 2016 as the management of Auspole Products Pty Ltd that we liaise with have departed from the company and joined a new company, namely Pole Industries Pty Ltd (our active customer as at LPD).

The revenue contribution from Singapore experienced a decrease from 6.1% in FYE 2016 to 1.0% in FYE 2018 mainly due to the slowdown in the construction industry in Singapore. As per the IMR Report, the total construction industry in Singapore experienced a decline post-2014 and this was largely witnessed in the commercial, and industrial construction sub-sectors, which recorded negative CAGRs of 12.6% and 5.9% respectively between 2015 and 2018.

The revenue contribution from Korea experienced an increase from 1.7% in FYE 2016 to 3.6% in FYE 2018 due to orders of oil and gas light poles secured from a new customer in Korea, namely Cooper Korea Ltd during FYE 2018.

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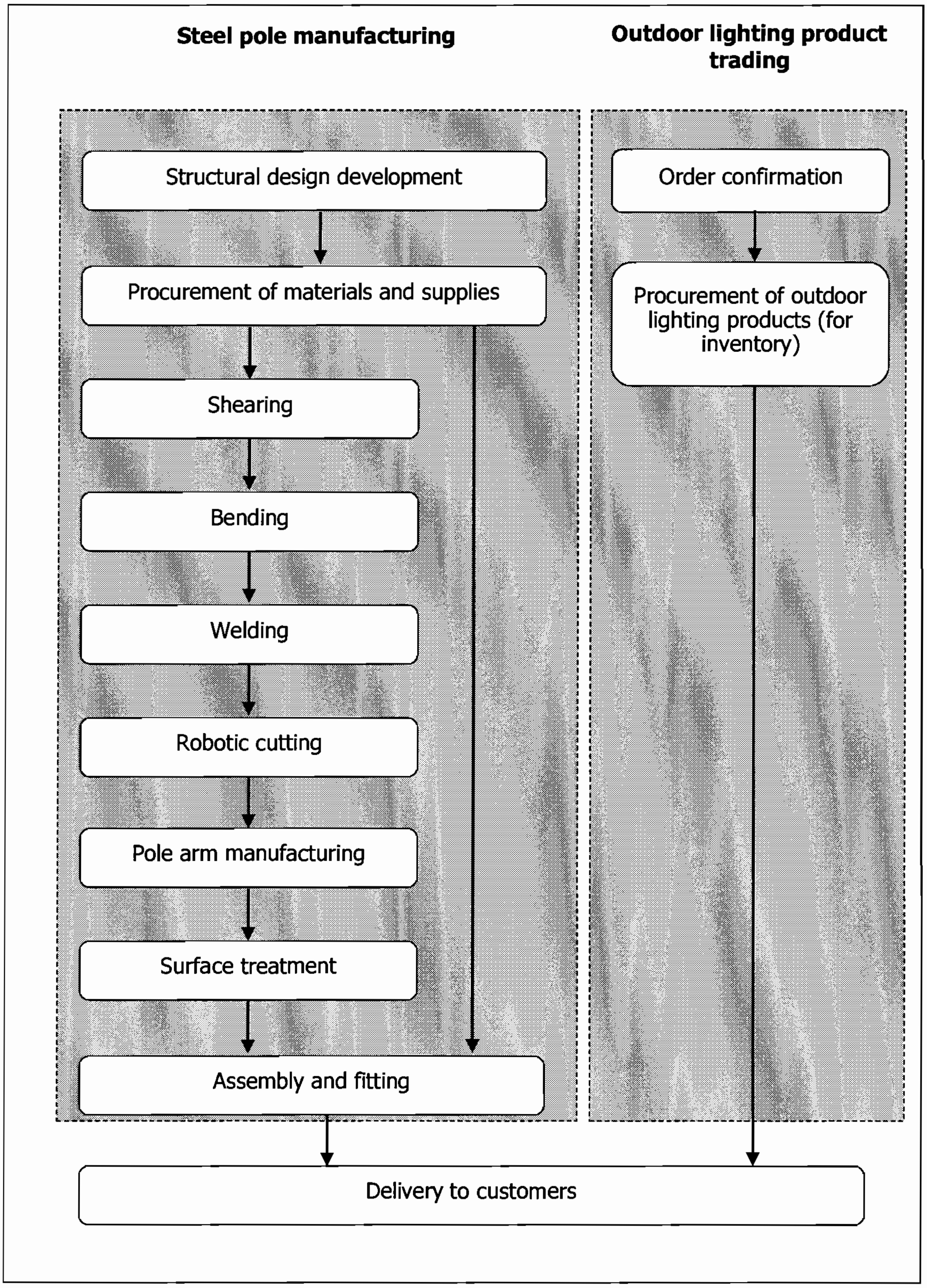
6.8 DESCRIPTION OF OUR OPERATIONS

6.8.1 Our business processes

The process flow for our Group's steel pole manufacturing and trading of outdoor lighting products are illustrated as below:



Steel pole manufacturing

Upon confirmation of a purchase order, we will undertake the following processes for steel pole manufacturing:

(i) Structural design development

While the design of our standard street light poles is fixed, the design of our decorative light poles is typically based on the conceptual designs provided by our customers. Both of these pole types may be tailored in accordance to the height and size required by our customers. We use a computer-aided structural engineering application, i.e. STAAD.Pro to assess the structural integrity and optimise the structural design of our standard street light poles and decorative light poles.

As specialty poles have different uses and specifications, its structural design differs on a case-to-case basis. For these poles, we use PLS-POLE, a more advanced computer-aided structural engineering application, to determine the structural design of the pole based on its proposed usage and environment.

This design will then be presented to the customer for approval. Once approved, the design will then be drawn in AutoCAD, a drafting software application, for use in our manufacturing processes.

(ii) Procurement of raw materials and supplies

Our raw materials are mainly steel materials (i.e. steel plates and steel pipes), while supplies include steel pole related accessories such as foundation bolts and nuts, junction boxes and concrete footing.

Upon the order confirmation, our procurement team will check our inventories on the availability of the raw materials and supplies required to fulfil the orders. If the raw materials and supplies are available, the respective parts will be sent to the manufacturing facility for the following processes. If the raw materials and supplies are not available, our procurement team will purchase the required raw materials and supplies from our suppliers.

Once we receive these materials and supplies, our QA/QC team will carry out inspection to ensure that the raw materials and supplies are free from defects and the volume and specifications are as per our purchase order.

(iii) Shearing

Prior to shearing the steel plates, these materials will be measured according to the desired size and marked with cutting line as per design plans. Once a steel plate has been sheared, an inspection will be performed on the steel plate to ensure that it is accordance to the specifications and drawings.

(iv) Bending

The steel plate will then undergo a bending process. The steel plate will first be marked in accordance with the design plans to determine the bending line. The bending process uses a press brake machine to shape the plate in accordance with the marked bending line. Upon completion, an inspection will be performed on the steel plate to ensure that they are in line with the specifications and drawings.

(v) Welding

Upon bending, the shaped steel plate will be tacked to hold the steel plates in place until the welding is complete. Inspection will be performed on the tacking to ensure the steel plates are properly aligned as per the specifications and drawings.

Thereafter, the steel plate will undergo welding to permanently join the steel plates ends, thus forming a steel pole. The welding process will be carried out using a semi-automated welding machine. An inspection is then performed on the steel pole to ensure that they are in accordance to the specifications and drawings.

(vi) Robotic cutting

The steel pole will subsequently undergo precision cutting to form an opening which will serve as the service door. Precision cutting is carried out using a robotic cutting machine.

Upon completion of the robotic cutting process, service door and accessories such as door hinges, earth lug and door stiffeners are installed.

(vii) Pole arm manufacturing

Whenever required, the arm of the pole will be manufactured, which are custom fitted for the steel poles, to form the complete product. The manufacturing of the arm undergoes similar process as the steel pole, from shearing, bending and lastly, welding.

(viii) Anti-corrosion surface treatment

As required by our customers, the steel poles will undergo the following anti-corrosion surface treatments:

(a) Galvanising

The galvanizing process is outsourced to third party service providers. Galvanizing process prevents rust and abrasions, extends the life of the surface and improves the safety of the steel poles.

(b) Powder coating

Galvanising is typically performed prior to powder coating. As the steel poles are exposed to extreme heat during the welding and galvanizing processes, the steel poles may need to undergo a straightening process before being powder coated and/or assembled.

Powder coating treatments are also outsourced to third party service providers. They are conducted to enhance the aesthetic aspects of the steel poles and are usually performed for decorative light poles by applying a layer of anti-stick coating which prevents the adhesion of adhesives (such as tapes, advertisement stickers and vinyl) on the poles.

(ix) Assembling and fitting

If required by the customer, the steel poles can be assembled with accessories such as junction boxes and service door.

(x) Delivery

The final product will be packed before it is delivered to our customers as per their delivery instructions. The final product may either be delivered to the customer right after completion or temporarily warehoused in our premise pending delivery while waiting for our customers to make the necessary logistics arrangements and prepare the site for installation of our final products. The delivery of our final product to our overseas customers will be handled by us or the customers, depending on the delivery instruction of the overseas customer. We typically utilise shipping agents or logistics companies to handle the delivery of our final products to the respective countries and the delivery cost will be charged to our overseas customers.

We also provide our customers with a warranty period of 1 year whereby we will replace any defective products free of charge and bear re-installation costs (for products that have been installed).

Outdoor lighting products trading

(i) Order confirmation

Our customer will share the specification required (e.g. desired visibility level, road/highway length and width) with lighting specialist (i.e. lighting product manufacturers with established outdoor lighting brands for street lighting purposes). A simulation report will then be issued by the lighting specialist to advise our customer in terms of luminance and number of outdoor lighting products required in order to achieve the desired visibility level. An order will be placed with us by our customer based on the output of the simulation report.

(ii) Procurement of products and inventory management

Once our customer confirms the order for outdoor lighting products, our procurement team will purchase the required products from the lighting specialists.

(iii) Delivery

The final product will be delivered to our customers as per their delivery instructions.

The warranty for defective outdoor lighting products is provided to our customers by the lighting specialist that we procured our outdoor lighting products from.

6.8.2 Quality control and quality assurance procedures

We place strong emphasis on our manufacturing quality to ensure that our products comply with the local and international standards.

In Malaysia, our standard street light poles must comply with specifications required by JKR in order for it to be used on public roads. Our customers also seek steel poles that are certified to be compliant with BS EN 40 - 5:2002, the official standard used for structural steel street light poles in Malaysia.

We presently comply with the following local and international standards:

Standard/ Certificate	Certification body	Year first awarded	Latest year renewed	Scope/Description of certification
ISO 9001:2008 EN ISO 9001:2008 BS EN ISO 9001:2008 BS ISO 9001:2008	Lloyd's Register Quality Assurance	26 June 2010	21 December 2017, expiring on 25 June 2019	Design and manufacture of light poles
Product Certification Licence	SIRIM QAS International Sdn Bhd	16 January 2009	10 December 2018, expiring on 16 January 2020	Compliant with BS EN 40 – 5:2002
Product registration	JKR	4 May 2009	1 March 2017, expiring on 15 June 2020	Products that are licensed to be used by JKR are lighting columns (hot dip galvanised steel) up to 12-meter in height

Our routine QA/QC activities are led by our Production Manager and are carried out throughout the manufacturing process, as described below:

QA/QC procedure	Description
After receipt of materials procured	Our QA/QC team will perform visual inspections on materials, supplies and outdoor lighting products upon receipt, to ensure that specifications and quality are as per our purchase order, whereby: • there is no shortfall in volume of materials and supplies ordered; and • there are no surface defects (such as dents or scratches). Our QA/QC team will also perform measurement inspection on a random sampling basis to ensure: • the length of steel materials are as per our purchase order; and • dimensions of materials and supplies meet our specifications. Materials and supplies that are out of our required specifications will be returned and replaced by our suppliers.
In-process QA/QC checks at every stage of manufacturing process	In-process QA/QC inspections checks will be performed at the end of every stage of the following manufacturing process: • Shearing process; • Bending process; • Welding process; • Robotic cutting process; and • Surface treatment process

QA/QC procedure	Description
	These QA/QC inspections are to ensure that there are no surface defects and that the technical specifications (dimensions and hole positioning) meets the design specifications. Should there be a mismatch with design specifications, the materials will be reworked.
Final inspection or pre-delivery inspection	Inspections on the final product will be performed to ensure the product meets customer's specifications in terms of: • dimensions of final products (size, height, thickness and design); • design of final product; • quantity of products ordered; and • products are well-packed to prevent damages during delivery.

6.8.3 Technology used

Save as disclosed below, there are no other technologies used or to be used by our Group:

(a) Computer-aided software applications

We design our steel poles using computer-aided structural engineering software applications, i.e. STAAD.Pro and PLS-POLE for the design of our steel poles. These applications generate the 3D model of the steel poles and performs structural analysis on the model design.

STAAD.Pro is typically used during the structural design development stage for our standard street light poles and decorative light poles. The analysis generated through this application allows us to analyse the structural integrity of the steel pole in terms of size, material and height based on the number of lighting products the pole is required to support. This enables us to optimise the steel pole structure.

Meanwhile, we use PLS-POLE during the structural design development stage for high mast, telecommunication monopoles, mid-hinged collapsible poles as well as oil and gas and mining light poles. This application allows us to produce 3D analysis of the design to:

- analyse the structural integrity of the steel poles with complicated structures; and
- assess if the structure is capable of withstanding wind load and distribution of load based on its proposed usage and environment.

We also use a computer-aided design drafting software application, i.e. AutoCAD to draft the approved design of our steel poles. AutoCAD assists in the development of precise 2D and 3D fabrication drawings used during the manufacturing process.

(b) CNC and robotic cutting machinery

CNC and robotic cutting machinery are machinery equipped with programmable commands encoded in a software programme.

CNC machinery increases the precision of manufacturing curved geometries, which includes tapered octagonal shapes that are typically found on standard street light poles. It also allows for the automation of repeatable or routine processes such as shearing and bending. As this machinery facilitate faster and more precise cutting and bending processes, production efficiency can be increased and wastages can be minimised.

We also use robotic cutting machinery for the cutting of service door opening on steel poles. This process requires high precision machining in order to ensure the service door fits the door opening. As such, robotic cutting machinery is used as it increases process accuracies, thereby minimising wastages and time taken to rework any errors.

6.8.4 Key machinery and equipment

A summary of the key machinery and equipment owned and used by us are set out below:

Machinery and equipment	Functions	No. of units	Average age [1]	NBV as at 31 December 2018
			Years	RM'000
Press brake machine	For bending of steel plate	6	10.75	785
Cutting machine	For shearing of steel plate	5	7.00	193
CNC plasma cutting	For shearing of flange plate	4	7.30	284
Electric overhead crane	For lifting and moving heavy materials	3	4.00	110
Robotic cutting machine	For cutting of service door opening	1	2.00	134
Automatic seam welding machine	For welding of steel pole	2	1.00	195
Plasma cutting machine	For precision cutting of large steel plates and pipes	7	5.57	86
Profiling machine	For bending of steel pipe and hollow tube	2	11.50	- [2]
Welding machine	For welding of flange plate and brackets	6	10.67	46
Hydraulic PowerPack	For straightening of steel pole and bending arm	5	8.60	13
Sawing machine	For cutting of steel pipe and hollow	2	9.00	21
			Total	**1,867**

All of the above machinery and equipment are located at our Main Manufacturing Facility and Meslite's Factory. Our Group do not rent any machineries and equipment for our manufacturing operation.

Notes:

(1) Average age of machinery and equipment is computed based on the age of each machinery and equipment. The age is computed starting from the year our Group purchased the machinery and equipment and up to LPD.

(2) These machinery and equipment have been fully depreciated prior to 31 December 2018. However, they are still in good condition as we perform regular maintenance and replace any worn out machines parts to maintain its performance.

As set out in Section 4.8.1 and Section 6.19.1, we intend to acquire new machinery to automate our manufacturing processes and expand our operating capacity in line with the expansion of our Main Manufacturing Facility.

6.8.5 Operating capacities and output

Our manufacturing facilities are shared across most of our product offerings as we do not have a single production line for each of our product category. For example, our shearing, bending, welding and robotic cutting machine is used in the production of our standard street light poles, decorative light poles and compound poles as well as specialty poles. Hence, our operating capacities and utilisation rates for these products are dependent on the production planned based on our customers' purchase orders.

Our maximum annual operating capacity and utilisation rates (computed based on assumptions set out below) for past 4 FYE 2015 to 2018 are set out below:

	(1)Maximum annual capacity	Annual actual production	Utilisation rate
	MT	MT	%
FYE 2015	3,694	3,296	
Standard street light pole	*1,797*	*1,777*	*98.9*
Decorative light pole	*899*	*877*	*97.6*
Specialty pole	*998*	*642*	*64.3*
FYE 2016	4,435	3,481	
Standard street light pole	*2,122*	*1,657*	*78.1*
Decorative light pole	*1,048*	*854*	*81.5*
Specialty pole	*1,265*	*970*	*76.7*
FYE 2017	5,670	3,990	
Standard street light pole	*2,885*	*2,134*	*74.0*
Decorative light pole	*1,460*	*1,060*	*72.6*
Specialty pole	*1,324*	*796*	*60.1*
FYE 2018	5,670	3,912	
Standard street light pole	*2,885*	*1,712*	*59.3*
Decorative light pole	*1,460*	*1,208*	*82.7*
Specialty pole	*1,324*	(2)*992*	*75.0*

Notes:

(1) The increase in maximum annual capacity for FYE 2015 to 2018 was mainly due to the relocation of our main manufacturing operations to the Main Manufacturing Facility in April 2016.

(2) The increase in the annual actual production (MT) for specialty poles from 796MT in FYE 2017 to 992MT in FYE 2018 despite the decrease in unit of specialty poles sold during FYE 2018 is due to more larger specialty pole such as telecommunication monopoles and high mast poles being sold during FYE 2018.

We typically take an average duration of approximately 1 hour to manufacture a single batch of 14 standard street light poles, without taking into account any waiting time for receipt of raw materials and supplies as well as third party service providers to complete their galvanising and powder coating services.

The average duration taken to manufacture decorative light pole and specialty pole vary in accordance to the design and specifications. On average, we typically take approximately 1 hour to manufacture 2 decorative light poles. For specialty poles such as camera poles, traffic light poles, mid-hinge collapsible poles and oil and gas and mining light poles, we typically take an average duration of approximately 1 hour to manufacture a single batch of 14 poles. For large poles such as telecommunication, high mast poles and large oil and gas light poles, we typically take an average duration of 16 hours to manufacture 1 pole.

Maximum operating capacity is calculated based on maximum number of units that can be manufactured in an hour based on the following assumptions:

Assumptions	**FYE 2015**	**FYE 2016**	**FYE 2017**	**FYE 2018**
Available production floor space (sq ft)	35,000	47,500	60,000	60,000
- *Mestron Engineering's facility (sq ft)*	*30,000*	*42,500*	*55,000*	*55,000*
- *Meslite's facility (sq ft)*	*5,000*	*5,000*	*5,000*	*5,000*
Number of daily working hours	10 hours	10 hours	10 hours	10 hours
Number of working days	312	312	312	312

The maximum operating capacity is calculated as follows:

Maximum annual capacity = *Maximum MT of steel poles that can be manufactured within the available production floor space in 1 hour* x *Number of daily working hours allocated for a particular product segment* x *Number of working days*

6.8.6 Interruptions to business and operations

Our Group has not experienced any interruption in our operations which had a significant effect on our operations during the past 12 months preceding the LPD.

6.9 COMPETITIVE POSITION

6.9.1 We have in-depth technical expertise and are committed to delivering quality products

We place emphasis on product quality and committed to consistently manufacture quality steel poles that meet the requirements of our customers. Further, we are able to propose optimal structural designs to our customers using our structural engineering software and through our in-depth technical knowledge in steel pole manufacturing. This is a value-added service to our customers as it provides them with the assurance of our product quality and functionality.

Our technical expertise and efforts in quality control are demonstrated by the fact that our design and manufacturing processes comply with ISO 9001:2008 from Lloyd's Register Quality Assurance. We have also been certified to comply with the local compliance standards, having attained the certification by SIRIM QAS International Sdn Bhd and registered our street light pole products with JKR. Since 2013, we are also recognised by Projek Penyelenggaraan

Lebuhraya Berhad ("PROPEL") (now known as Edgenta PROPEL Berhad), a major highway maintenance service provider in Malaysia, as a supplier of street light poles.

In order to be recognised as a supplier to PROPEL, we have had to undergo a supplier selection process where we were subjected to audit assessments to ensure we comply with PROPEL's requirements. This involves the submission of information which includes our Group's shareholding, financial and banking facility, past and present sales orders, product certification by SIRIM QAS International Sdn Bhd as well as information on our manufacturing plant, machinery and equipment. We will then be assessed based on these information furnished to PROPEL. Our recognition as a supplier to PROPEL is subject to periodic audit assessment which typically is over a period of every 3 years. Our last assessment was conducted in 2018.

In addition, we are able to comply with street light pole requirements of international customers, as seen from our ability to secure orders from international customers. These customers are required to comply with the local regulations in their country and will thus only source street light poles from manufacturers that are able to supply poles that meet the relevant specifications.

We believe our technical expertise and commitment to strict quality control standards have been and will continue to be vital in establishing our reputation as a steel pole manufacturer.

6.9.2 We have a comprehensive range of steel pole products

Our steel pole products comprise standard street light poles, decorative light poles and specialty poles. To complement our steel poles, we also distribute outdoor lighting products. Some of our customers' projects such as property development require a variety of steel pole products to be installed.

Our ability to provide a comprehensive range of steel pole products will allow our Group to cross sell our products to our customers. From our customers' perspective, the ability to source most of its steel pole requirements from a single supplier will eliminate the cost and inconvenience of dealing with multiple suppliers.

6.9.3 We are well-equipped with a fleet of machinery and equipment, enabling us to enhance our manufacturing capabilities and production efficiency

Our manufacturing facility is equipped with machinery and equipment that can facilitate most of the manufacturing process of our products such as shearing, bending, welding and cutting. Our Group also has the added ability to provide steel bending processes for steel plates of up to 12 meters in length with our press brake machine. This allows us to manufacture large poles, such as telecommunication monopoles, high mast poles as well as oil and gas light poles. By having these machinery and equipment to carry out our manufacturing processes, we are able to maintain the precision in the manufacturing of our products and thus minimising manufacturing defects and production lead time, allowing us to ensure timely delivery on our customers' orders.

At present, we only outsource galvanising and powder coating processes to third party service providers as we do not have the in-house technical expertise and equipment to undertake these processes. Outsourcing these processes is thus more cost effective and we can leverage on third party service providers' expertise in this area.

We believe that our commitment to production efficiency has accorded us with an established track record in the street lighting industry in Malaysia. Over the years, we have supplied our products for use in notable projects such as the East Klang Valley Expressway and Danga Bay Coastal Highway.

6.9.4 We have an experienced management and technical team

We have been operating in the steel pole manufacturing business for more than 17 years and outdoor lighting trading business for more than 9 years. Throughout these years, we have been led by an experienced and dedicated management and technical team.

Our Managing Director, Por Teong Eng, and Executive Director, Loon Chin Seng have played key roles in steering the growth and success of our Group. Both of them have over 19 years of experience in the street lighting industry. Their experience, expertise and passion for our Group's business have been instrumental to our Group's current day achievements.

In addition, we have a capable technical team and production team led by our Managing Director, Por Teong Eng and supported by our Technical Manager, Neo Yeung Tat and Production Manager, Tan Hock Choon. All of them were trained as qualified engineers with an average of 11 years of experience in steel pole manufacturing.

Our technical and production teams' experience in steel pole manufacturing provide us with a comprehensive understanding of our customers' requirements. This enables us to consistently provide reliable service to our customers and effectively deliver customised steel poles in accordance to customer requirements.

Our Group believes that the experience of our management team and technical knowledge of our technical team will enable us to continue to expand our business as well as market presence.

6.10 SEASONAL OR CYCLICAL EFFECTS

Our operations are not significantly affected by seasonal/cyclical effects. Our customers generally operate throughout the year, albeit marginal slowdown during festive periods as most of our customers do not operate during these periods. Nevertheless, the impact of the marginal slowdown is unlikely to be significant to our Group.

6.11 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

Our principal raw materials for our manufacturing operations are steel plates and steel pipes which are readily available and sourced from local suppliers. The prices of our raw materials have fluctuated during the financial years under review as a result of demand and supply conditions. Kindly refer to Section 8.1.1 for additional details on the impact of raw materials price fluctuations.

We generally take into account supplier lead time to prevent potential major disruptions to our production. We have developed policies and procedures that guide our selection of suppliers. All selected suppliers are evaluated in terms of pricing, range and technical specifications of raw materials, ability to meet our quality requirements and ability to deliver on our order in a timely manner.

6.12 BUSINESS DEVELOPMENT AND MARKETING ACTIVITIES

Our business development activities are executed by our Sales and Marketing team. As at the LPD, our Sales and Marketing team consists of 7 personnel and are led by our Executive Director, Loon Chin Seng who is assisted by our Head of Sales and Marketing. The Sales and Marketing team are principally responsible for developing sales of our Group's products, as well as maintaining relationships with our customers.

We secure our sales by approaching our customers directly, and through referrals as detailed below:

(i) Direct approach

Our active participation in networking with local town councils, consulting engineers, property development companies, M&E contractors, highway concessionaires, main construction and engineering companies and specialised contractors allows us to create awareness of our brand in both local and international markets. We also invite prospective customers to view our manufacturing facility to showcase our stringent quality processes and manufacturing capabilities.

While we may not secure orders directly from town councils and consulting engineers, these parties are decision makers in determining suppliers for large or high-profile infrastructure projects.

As product quality is a key decision factor for potential customers to procure our products, the sales of our products include providing these potential customers with in-depth knowledge of our manufacturing capabilities and product quality. As such, we believe this approach to be the most effective approach as our face-to-face interactions with these parties allows us to deliver the necessary technical information and descriptions, and illustrate our expertise accurately.

In the past, we have successfully secured high profile projects, as detailed in Section 6.1 of this Prospectus, via this approach.

(ii) Referrals from business associates

We also secure new customers through referrals from our business associates. These business associates include steel pole suppliers and electrical product distributors that do not have the manufacturing capability to supply some of our pole products.

We may also secure new customers through referrals from town councils, construction consultants and architects. In some cases, we also participate in the initial project planning and development stage of construction projects with town councils, construction consultants and architects. This participation provides us with the opportunity to attain knowledge of the project and required product specifications, thus allowing us to provide suitable and tailored advice relating to our products to our customers.

In addition, we also create awareness and educate potential customers through our website, corporate profile and video.

We have a corporate website at *http://www.mestron.com.my/* which provides immediate searchable information on our Group and details of our products. In addition, we also circulate our corporate profile to our prospective customers from time to time. This profile consists of information about our involvement in major projects, manufacturing capabilities and various accreditations of our products.

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

6.13 INTELLECTUAL PROPERTIES

As at LPD, we have registered the following trademarks with the Intellectual Property Corporation of Malaysia:

No.	Trademark	Applicant	Class no.	Description	Application No.	Status as at the LPD/ Registration validity
(i)	MESTRON	Mestron Engineering	11	Apparatus for lighting, electric lamps, lamps, lighting apparatus and installations, light bulbs, electric, light diffusers, light-emitting diodes, safety lamps, street lamps/standard lamps.	2018061155	Registered/ 30 May 2018 to 30 May 2028
(ii)	**"MESTRON"**	Mestron Engineering	11	Apparatus for lighting, electric lamps, lamps, lighting apparatus and installations, light bulbs, electric, light diffusers, light-emitting diodes, safety lamps, street lamps/standard lamps.	2018061159	Registered/ 30 May 2018 to 30 May 2028

6.14 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/ Registration no.	Date of issue/ Date of expiry	Nature of approval or licences	Material conditions imposed	Compliance status
Mestron Engineering/ MITI/ A 021411	7 June 2018/ Not applicable	Manufacturing license for our Main Manufacturing Facility	• Any disposal of shares in the company shall be notified to MITI and MIDA. • The company is required to train Malaysian citizens to ensure transfer of technology and expertise at all rank positions. • The company must carry out the project as approved and in accordance with the relevant laws and regulations in Malaysia.	Complied

As at the LPD, we have 85 foreign workers and all 85 of the foreign workers have valid working permits.

6.15 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 for the 4 FYE 2015 to 2018 and up to the LPD:

(i) The sale and purchase agreement dated 28 August 2017 for the purchase by Mestron Engineering of the Light Industrial Land from Karumas Development Sdn Bhd, for a total cash purchase consideration of RM4,755,040. The acquisition is pending registration of transfer of title as at the LPD;

(ii) Form 32A (Form of Transfer of Securities) dated 16 March 2018 in respect of the acquisition of 140,000 ordinary shares, representing 70.0% equity interest in Max Lighting from Loon Chin Seng, Loon Chin Meng and Lee Chun Heng by Mestron Engineering on 16 March 2018 for an aggregate cash consideration of RM140,000;

(iii) Form 32A (Form of Transfer of Securities) dated 3 April 2018 in respect of the acquisition of 300,000 ordinary shares, representing 60.0% equity interest in Meslite from our Promoters on 3 April 2018 for an aggregate cash consideration of RM300,000;

(iv) The sale and purchase agreement dated 4 June 2018 for the sale by Mestron Engineering of Agricultural Land A to Por Teong Eng and Loon Chin Seng, for a total cash disposal consideration of RM690,000. The disposal was completed on 7 November 2018;

(v) The sale and purchase agreement dated 4 June 2018 for the sale by Mestron Engineering of Agricultural Land B to Por Teong Eng and Loon Chin Seng, for a total cash disposal consideration of RM760,000. The disposal was completed on 7 November 2018;

(vi) The sale and purchase agreement dated 26 November 2018 for the sale by Mestron Engineering of Alam Puchong Land to Sunteck Aluminium & Trading Sdn Bhd, for a total disposal consideration of RM5,500,000. We have received earnest deposit of RM110,000 and the payment upon signing of the sale and purchase agreement of RM275,000 from the purchaser. The said sale and purchase agreement became unconditional on 26 March 2019 after the delivery and receipt of a certified true copy of the State Authority's approval on the transfer of land title by Mestron Engineering to the purchaser on the same date. Thereafter, the purchaser shall pay the balance payment within 90 days from the unconditional date (i.e. by 24 June 2019). The disposal is pending the balance payment from the purchaser as at the LPD;

(vii) The share sale agreement dated 12 October 2018 entered into between our Company and the Vendors for the Acquisition of Mestron Engineering. The acquisition was completed on 25 April 2019;

(viii) The share sale agreement dated 22 January 2019 entered into between Mestron Engineering and Pee Kok Keong for the Acquisition of Meslite. The acquisition was completed on 25 April 2019.;

(ix) The share sale agreement dated 22 January 2019 entered into between Mestron Engineering and Lee Yong Kong for the Acquisition of Max Lighting. The acquisition was completed on 25 April 2019; and

(x) The underwriting agreement dated 30 April 2019 entered into between our Company and M&A Securities for the underwriting of 48,250,000 Issue Shares for an underwriting commission of 2.5% of the IPO Price multiplied by the number of Issue Shares being underwritten.

6.16 RESEARCH AND DEVELOPMENT

Due to the nature of our business, we are not required to undertake and have not undertaken any research and development activities.

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

6.17 PROPERTIES OF OUR GROUP

The details of material properties owned by our Group are as follows:

No.	Registered owner	Title details	Postal address	Category of land use/ Tenure/ Expiry of lease	Description and existing use	Date of issuance of CCC/CF	Age of building	Total land area/ Built-up area	NBV as at 31 December 2018	Major encumbrances
								sq ft	RM'000	
(i)	Mestron Engineering	Lot 122823 Mukim Dengkil Daerah Sepang Negeri Selangor Held under Pajakan Mukim 11252	PT50102, Jalan Meranti MU 1/9, Seksyen 10, Taman Perindustrian Meranti Permai, 47120 Puchong, Selangor Darul Ehsan	Industrial/ Leasehold/ 99 years expiring on 4 March 2085 (unexpired lease term of approximately 67 years as at the LPD)	Our Main Manufacturing Facility comprising a single storey factory and adjoining office building	24 January 2019 (1)	4 years	120,190/ 61,518	8,192	Charged to Public Bank Berhad
(ii)	Mestron Engineering	Lot 16732, Mukim Dengkil Daerah Sepang Negeri Selangor Held under Geran 150625	No 41, Jalan Meranti Jaya 12, Taman Perindustrian Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan	Industrial/ Freehold	1 ½ storey linked factory, currently being rented out to third party.	23 September 1999	20 years	2,002/ 2,851	640	Charged to Public Bank Berhad

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

No.	Registered owner	Title details	Postal address	Category of land use/ Tenure/ Expiry of lease	Description and existing use	Date of issuance of CCC/CF	Age of building	Total land area/ Built-up area	NBV as at 31 December 2018	Major encumbrances
								sq ft	RM'000	
(iii)	Mestron Engineering	Lot 16405 Mukim Dengkil Daerah Sepang Negeri Selangor Held under Pajakan Mukim 8240	Not applicable	Industrial/ Leasehold/ 99 years expiring on 4 March 2085 (unexpired lease term approximately 67 years)	1 parcel of vacant land adjacent to our Main Manufacturing Facility currently being used as storage area for products and raw materials. We intend to utilise the Adjacent Land for expansion of our Main Manufacturing Facility. Kindly refer to Section 4.10.1 for further details.	-	-	90,492	7,662	Charged to Public Bank Berhad
(iv)	Mestron Engineering	PT 22346 Mukim Dengkil Daerah Sepang Negeri Selangor Held under H.S.(D) 37209	No 10, Jalan PP 11/3, Alam Perdana Industrial Park, Taman Putra Perdana, 47130 Puchong, Selangor Darul Ehsan	Industrial/ Leasehold/ 99 years leasehold expiring on 25 September 2113 (unexpired lease term 95 years)	1 parcel of vacant industrial lot that is in the midst of being disposed. Kindly refer to Section 6.15(vi) for further details.	-	-	45,581	4,377	Charged to Public Bank Berhad

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

No.	Registered owner	Title details	Postal address	Category of land use/ Tenure/ Expiry of lease	Description and existing use	Date of issuance of CCC/CF	Age of building	Total land area/ Built-up area	NBV as at 31 December 2018	Major encumbrances
								sq ft	RM'000	
(v)	Meslite	Lot 16733 Mukim Dengkil Daerah Sepang Negeri Selangor Held under Geran 150626	No. 39, Jalan Meranti Jaya 12, Taman Perindustrian Meranti Jaya, 47120 Puchong, Selangor Darul Ehsan	Industrial/ Freehold	1 ½ storey linked factory, currently being rented out to third party.	23 September 1999	20 years	2,002/ 2,851	714	Charged to Public Bank Berhad
(vi)	Meslite	Lot 108962 Mukim Dengkil Daerah Sepang Negeri Selangor Held under Geran 335760	No. 15, Jalan Imp 1, Taman Industri Meranti Perdana, 47120 Puchong, Selangor Darul Ehsan	Industrial/ Freehold	1 ½ storey factory with extended zinc roofing for the manufacturing of decorative compound light poles. [(2)]	17 September 2012	7 years	5,008/ 10,563	2,745	Charged to Public Bank Berhad
								Total NBV	**24,330**	

Notes:

(1) Our Main Manufacturing Facility was originally completed in second half 2015 and the CCC was issued on 1 March 2016. However, Mestron Engineering undertook renovation subsequently (which was completed in second quarter of 2016) which warrant for a revised CCC. The revised CCC was obtained on 24 January 2019.

(2) Based on the approved building plan, the factory is required to have a minimum setback of 10 feet (i.e. the distance between the factory to the border of the land where no building structures are allowed). Meslite is not in compliance with the setback requirement for its fully extended zinc roofing, which was constructed in second half of 2017 to maximise the storage space for work-in-progress products and finished products that are pending delivery. The management was only made aware of the non-compliance with the setback requirement after the construction works have been completed.

As such, Meslite has on 12 October 2018 submitted a proposal to Jabatan Bomba dan Penyelamat Malaysia ("JBPM") to waive the setback requirement imposed on its factory. Based on the feedback from JBPM on the proposal submitted, Meslite will be required to construct a brick wall in between Meslite's Factory and the adjacent factories to prevent the spread of fire in the event of a fire and a fire escape at the back of the factory for evacuation purpose. In view of the above, Meslite had on 27 December 2018 submitted the revised proposal to JBPM. The construction of the brick wall and fire escape is estimated to take 2 months at a cost of approximately RM150,000. The construction of brick wall and fire escape is not expected to have a significant impact on the operations of Meslite.

Meslite has on 18 February 2019 submitted an application (i.e. as-built building plan) to Majlis Perbandaran Sepang to address the said non-compliance after JBPM's clearance on the proposal to waive the setback requirement on 7 February 2019. The said application was approved by Majlis Perbandaran Sepang on 19 April 2019 and the construction of the brick wall and fire escape will commence in accordance with the approved as-built building plan. The construction works are expected to commence by June 2019 and completed by July 2019. A "Sijil Perakuan Siap dan Pematuhan" will then be issued by the architect once the said construction works is completed as per the as-built building plan.

The abovementioned non-compliance of setback requirement is not expected to have a material impact on the business operation and financial condition of our Group.

In order to maintain a good corporate governance practice moving forward, our Group will adopt the following procedures in relation to the construction of additional structure:

(a) Consultation with authorities before the commencement of construction works to prevent any non-compliance arising from the construction;

(b) Obtaining advice from technical experts such as architects on the necessary approval required; and

(c) Any construction cost of more than RM500,000 will be subjected to the approval from our Board.

Save as disclosed in Section 4.8.1, as at the LPD, our Group does not have any material plans to construct, expand or improve our facilities.

As at the LPD, we have rented 6 residential properties for the purposes of accommodating our production workers at an aggregate monthly rental of RM7,900.

Save as disclosed above, all properties owned and rented by our Group are not in breach of any other land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations.

6.18 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Save for our manufacturing license as disclosed in Section 6.14, 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.

6.19 BUSINESS STRATEGIES

6.19.1 We intend to expand our revenue stream from our specialty pole business segment

Our specialty pole product segment grew from RM7.28 million in the FYE 2015 to RM13.29 million in FYE 2018, contributing 16.3% to 22.0% of our total revenue during the financial years. We intend to capitalise on the growing market demand for specialty poles and increase our revenue from this product segment. Specifically, we intend to expand the sales of high mast and telecommunication monopole products.

Our plan to expand our revenue stream from specialty poles, particularly high mast and telecommunication monopoles, is due to the following reasons:

(i) the GP margin for specialty poles (FYE 2018: 45.4%) is relatively higher than the GP margin for standard street light poles (FYE 2018: 15.8%) and decorative light poles (FYE 2018: 25.6%);

(ii) we intend to reduce our dependency on the construction industry as an end-user industry, by expanding our clientele in the telecommunication industry. According to the IMR report, broadband penetration per 100 population in Malaysia grew from 99.7% in 2015 to 121.1% in 2018. The growth in broadband penetration indicates growth in demand for telecommunication infrastructure products, including telecommunication monopoles.

Our existing press brake machinery has the capability to cater for large poles, thus enabling us to automate the steel bending process for these 2 products. Moving forward, we intend to further automate the other manufacturing processes for high mast poles and telecommunication monopoles. The automation of our manufacturing processes will enable us to increase our production efficiency, thus allowing us to cater for increasing sales from these 2 product segments.

As such, we intend to acquire additional machinery and equipment that will facilitate shearing and welding processes for high mast poles and telecommunication monopoles by 2021. This will be financed by RM8.00 million allocated from the proceeds of the Public Issue for the purchase of machinery and equipment.

We are also intensifying our marketing activities to increase awareness of our manufacturing capabilities for this product segment. As at the LPD, we have assigned 1 permanent sales and marketing personnel to specifically target main construction and engineering companies and specialised contractors in the telecommunication industry, which are prospective customers of specialty poles.

6.19.2 We plan to enhance our presence and increase our market share in the street light pole industry in Malaysia

We will continue our focus in the street light pole industry in Malaysia where we have built our track record and reputation. According to the IMR Report, we are one of the key industry players in the street light pole industry, with an estimated market share of 19.8% in 2017 based on the street light pole industry size in Malaysia of RM202.50 million in 2017 and our Group's revenue from the steel pole manufacturing segment of RM40.05 million in the FYE 2017.

We intend to expand our Main Manufacturing Facility and acquire additional machinery and equipment to enable us to capitalise on the anticipated growth in the street light pole industry as highlighted in Section 6.20. This will be financed by RM13.00 million allocated from the proceeds of the Public Issue for the expansion of Main Manufacturing Facility and the purchase of machinery and equipment. The expanded manufacturing facility is expected to be commissioned by 2021 and will increase our operating capacity from approximately 5,700MT to approximately 11,400MT per annum.

6.19.3 We plan to expand our geographical presence to international markets

We intend to expand our presence in international markets such as Brunei, Sri Lanka and New Zealand through the supply of steel poles to these markets. We believe these markets present a pool of opportunities for us to expand our geographical presence in light of positive market prospects in these countries.

As at the LPD, we have already secured orders from customers in Brunei, Sri Lanka and New Zealand. We received our first order from a specialised contractor in Brunei in May 2018 for telecommunication monopoles, and first order from an electrical product distributor in Sri Lanka in November 2010 for standard street light poles. Our first order from an electrical products distributor in New Zealand was secured in July 2018 for specialty poles, which was delivered in August 2018.

We may appoint local electrical product distributors in the respective country as master distributors. These master distributors will be sole distributors to represent our Group in marketing our Group's products, as well as provide on-site and off-site technical support in these markets.

At present, we are in discussions with existing customers in Brunei and New Zealand for a master distributorship arrangement in these countries. The master distributorship arrangement will grant the sole distribution rights to the said customers to distribute and market our Group's products in Brunei and New Zealand. We expect to finalise their appointments before the end of 2019. Further, we have shortlisted 2 existing customers and are in the midst of finalising a suitable candidate to be appointed as the master distributor in Sri Lanka.

The business expansion plan in the abovementioned countries are not subjected to any capital outlay as the products supplied to these countries will still be manufactured locally by us and exported to the respective countries. However, we will utilise our internally generated funds to finance any related expenses incurred for the business expansion plan.

6.20 PROSPECT OF OUR GROUP

Our Group is involved in the manufacturing of steel poles, including standard street light poles, decorative light poles and specialty poles. To complement our steel pole manufacturing segment, we are also involved in the trading of outdoor lighting products.

While we expect our revenues from standard street light poles and decorative light poles to be affected by the decline in the construction industry in 2018, the construction industry in Malaysia is expected to recover in 2019 and 2020, as set out in Section 7. We are ready to capitalise on the future recovery of the local construction industry based on our competitive positions (as set out in Section 6.9) and our future plan to be well-equipped to capture opportunities by expanding our Main Manufacturing Facility (as set out in Section 6.19.2).

Moving forward, we expect our Group's business growth to be centered in the following areas:

(i) Specialty poles segment

We intend to expand this segment as the GP margin for this segment is relatively higher. We also believe this would reduce our dependency on the construction industry as an end-user industry, by expanding our clientele in the telecommunication industry. Please refer to Section 7, Part 3 for further details on the prospects of the telecommunication industry in Malaysia.

(ii) International markets, particularly Brunei, Sri Lanka and New Zealand

We intend to expand our presence in these markets as we believe these markets present a pool of opportunities for us. Please refer to Section 7, Part 2 for the prospects of the construction industries in Brunei, Sri Lanka and New Zealand.

(iii) Outdoor lighting trading segment

We expect to continue to benefit from the growing outdoor lighting market due to the growing trend in usage of energy-saving outdoor lighting products. Please refer to Section 7, Part 1 for further details on the prospects of the outdoor lighting market in Malaysia. Our Group will continue its efforts in marketing outdoor lighting products in order to tap on the potential growth in the outdoor lighting product market in Malaysia. Nevertheless, our Group's outdoor lighting product trading segment will continue to be complementary to our Group's steel pole manufacturing segment moving forward.

6.21 EMPLOYEES

As at the LPD, we have a total workforce of 160 employees, which are all based in our Main Manufacturing Facility and Meslite's Factory. The following depicts the breakdown of our employees in our Group as at 31 December 2018 and as at the LPD:

	Number of employees					
Department/Division	**As at 31 December 2018**			**As at the LPD**		
	Local	**Foreign**	**Total**	**Local**	**Foreign**	**Total**
Executive director	2	-	2	2	-	2
Key management team	4	-	4	4	-	4
Production	40	88	128	48	85	133
Technical	3	-	3	3	-	3
Sales and marketing	7	-	7	7	-	7
Finance and administration	10	-	10	11	-	11
TOTAL	**66**	**88**	**154**	**75**	**85**	**160**

As at the LPD, local employees accounted for approximately 46.9% of total workforce while the remaining 53.1% were foreign workers. As at the LPD, we have 85 foreign workers with valid working permits, who are employed on a contractual basis.

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

Our foreign workers are mainly involved in our manufacturing operations, including operating machinery and equipment, carrying out QA/QC inspection, performing stock count and maintenance of our manufacturing machinery and equipment.

None of our employees belong to any labour union. During the past FYE 2015 to 2018 and up to the LPD, there was no major industrial dispute pertaining to our employees.

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

6.22 MAJOR CUSTOMERS

Our top 5 major customers for each of the FYE 2015 to 2018 are as follows:

No.	Customers	Description	Revenue contribution RM'000	Revenue contribution %	Products sold	[(1)]Length of relationship Years
	FYE 2015					
1.	Auspole Products Pty Ltd	Steel pole supplier	2,832	7.0	Steel light poles and specialty poles	[(2)]6
2.	Kumpulan Bina Daya Elektrik Sdn Bhd	M&E contractor	1,981	4.9	Steel light poles and outdoor lighting products	6
3.	Tamaco Pole Mfg Pte Ltd	Steel pole supplier	1,878	4.6	Steel light poles and specialty poles	12
4.	KK Letrik (Sabah) Sdn Bhd	Electrical product distributor	1,313	3.2	Steel light poles	4
5.	Kejuruteraan Elektrik Kecana Sdn Bhd	M&E contractor	1,177	2.9	Steel light poles and outdoor lighting products	7
			9,181	**22.6**		
	FYE 2016					
1.	Auspole Products Pty Ltd	Steel pole supplier	2,126	4.8	Steel light poles and specialty poles	[(2)]6
2.	Bersatu Electrical Engineering Sdn Bhd	M&E contractor	2,029	4.6	Steel light poles and outdoor lighting products	8
3.	Mega Mectronic Sdn Bhd	M&E contractor	1,981	4.5	Steel light poles and outdoor lighting products	7
4.	Tamaco Pole Mfg Pte Ltd	Steel pole supplier	1,803	4.1	Steel light poles and specialty poles	12
5.	Pole Industries Pty Ltd	Steel pole supplier	1,611	3.6	Steel light poles and specialty poles	4
			9,550	**21.6**		
	FYE 2017					
1.	Regal Elite Letrik Sdn Bhd	M&E contractor	4,241	7.0	Steel light poles and outdoor lighting products	9
2.	Cable Line Electrical Engineering Sdn Bhd	M&E contractor	3,336	5.5	Steel light poles and outdoor lighting products	13
3.	Elson Electrical Engineering Sdn Bhd	M&E contractor	2,245	3.7	Steel light poles and outdoor lighting products	10

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

No.	Customers	Description	Revenue contribution RM'000	Revenue contribution %	Products sold	[1]Length of relationship Years
4.	Pole Industries Pty Ltd	Steel pole supplier	1,996	3.3	Steel light poles and specialty poles	5
5.	E DA Electrical Engineering Sdn Bhd	M&E contractor	1,598	2.6	Steel light poles and outdoor lighting products	8
			13,416	**22.1**		
	FYE 2018					
1.	OKA Marketing Sdn Bhd	Civil and structural contractor	9,841	15.5	Steel light poles and outdoor lighting products	2
2.	Cablecon Sdn Bhd	M&E contractor	3,184	5.0	Steel light poles and outdoor lighting products	8
3.	Cooper Korea Ltd	Electrical product distributor	2,222	3.5	Oil and gas light poles	Less than 1
4.	Awal Harmoni Sdn Bhd	M&E contractor	1,989	3.1	Steel light poles and outdoor lighting products	1
5.	OCK Setia Engineering Sdn Bhd (subsidiary of OCK Group Berhad)	M&E contractor	1,782	2.8	Specialty poles	1
			19,018	**29.9**		

Notes:

(1) Refer to length of relationship up to FYE 2018, unless otherwise stated.

(2) Refer to length of relationship up to FYE 2016 as we no longer have any transaction with Auspole Products Pty Ltd subsequent to October 2016. This was due to the departure of the management of Auspole Products Pty Ltd that we liaise with from the company. The said management subsequently joined a new company, namely Pole Industries Pty Ltd. Pole Industries Pty Ltd remained as our active customer as at LPD.

Save for the sales to OKA Marketing Sdn Bhd in FYE 2018 which was mainly for a public roads project, sales to all other customers were below 10.0% of our total sales in the past FYE 2015 to 2018.

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

The total percentage of revenue contribution of the major customers for the financial years under review ranged from 21.6% to 29.9% of our total revenue for the respective period. Further, the top 5 customers for the financial years under review comprises of a mix of 17 different companies and 2 out of 5 major customers in FYE 2018 were newly secured customers. Thus, there is no sales dependence of our Group on any specific group of customers and we are able to secure new customers.

Our sales to the above major customers for the financial years under review were mainly recurring purchase orders from existing customer whom we maintained a good business relationship over the years. As at the LPD, there is no agreement or contract entered with our customers for the supply of our products.

6.23 MAJOR SUPPLIERS

Our major suppliers for each of the FYE 2015 to 2018 are as follows:

No.	Suppliers	Description	Purchases contribution		Products sourced	[1]Length of relationship
			RM'000	%		Years
	FYE 2015					
1.	Megasteel Sdn Bhd	Manufacturer of steel plates	5,378	15.7	Steel plates	[2]2
2.	Midwest Green Sdn Bhd	Trading of outdoor lighting products	4,010	11.7	Outdoor lighting products	8
3.	Success Transformer Marketing Sdn Bhd (subsidiary of Success Transformer Corporation Berhad)	Manufacturer of outdoor lighting products, current transformer and voltage stabilizer	3,430	10.0	Outdoor lighting products	14
4.	IGC-Industrial Galvanizers Corporation (M) Sdn Bhd	Service provider for hot dip galvanising services	2,138	6.3	Galvanising services	13
5.	Hiep Hong Hardware Sdn Bhd	Steel stockists	1,703	5.0	Steel plates and pipes	16
			16,659	**48.7**		

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

No.	Suppliers	Description	Purchases contribution		Products sourced	[1]Length of relationship
			RM'000	%		Years
	FYE 2016					
1.	Midwest Green Sdn Bhd	Trading of outdoor lighting products	4,876	15.3	Outdoor lighting products	8
2.	Dai Dong Steel Sdn Bhd	Steel importer and stockist	2,326	7.3	Steel plates	16
3.	IGC-Industrial Galvanizers Corporation (M) Sdn Bhd	Service provider for hot dip galvanising services	1,992	6.2	Galvanising services	13
4.	Gruppe Lighting Solution Sdn Bhd	Lighting specialist	1,584	5.0	Outdoor lighting products	7
5.	Leon Fuat Hardware (Klang) Sdn Bhd (subsidiary of Leon Fuat Berhad)	Steel importer and stockist	1,455	4.6	Steel plates and pipes	7
			12,233	**38.4**		
	FYE 2017					
1.	Jit Hoe Hardware Sdn Bhd	Steel importer and stockist	4,511	11.1	Steel plates and pipes	14
2.	Midwest Green Sdn Bhd	Trading of outdoor lighting products	4,286	10.6	Outdoor lighting products	8
3.	Dai Dong Steel Sdn Bhd	Steel importer and stockist	3,518	8.7	Steel plates	16
4.	Leon Fuat Metal Sdn Bhd (subsidiary of Leon Fuat Berhad)	Steel importer and stockist	3,025	7.5	Steel plates and pipes	4
5.	OSRAM (Malaysia) Sdn Bhd	Lighting specialist	2,877	7.1	Outdoor lighting products	3
			18,217	**45.0**		
	FYE 2018					
1.	OSRAM (Malaysia) Sdn Bhd	Lighting specialist	5,452	12.7	Outdoor lighting products	3
2.	Midwest Green Sdn Bhd	Trading of outdoor lighting products	4,474	10.5	Outdoor lighting products	8

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

No.	Suppliers	Description	Purchases contribution		Products sourced	[1]Length of relationship
			RM'000	%		Years
3.	IGC-Industrial Galvanizers Corporation (M) Sdn Bhd	Service provider for hot dip galvanising services	3,140	7.3	Galvanising services	13
4.	Leon Fuat Metal Sdn Bhd (subsidiary of Leon Fuat Berhad)	Steel importer and stockist	2,759	6.5	Steel plates and pipes	4
5.	Dai Dong Steel Sdn Bhd	Steel importer and stockist	2,151	5.0	Steel plates	16
			17,976	**42.0**		

Note:

(1) Refer to length of relationship up to FYE 2018.

The materials, supplies or service procured from the abovementioned suppliers include, amongst others, steel plates and pipes, outdoor lighting products and galvanising services. In the past FYE 2015 to 2018, suppliers contributing more than 10.0% of our total purchases were mostly for steel plates and pipes and outdoor lighting products. We choose to procure these materials and supplies from these suppliers in bulk to attain competitive pricing. Nevertheless, we are not materially dependent on any of these suppliers as we are able to readily source these materials from alternative suppliers with minimal switching cost that are not expected to have a material impact on our total cost of purchase and profitability.

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PROVIDENCE
STRATEGIC PARTNERS

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Date: 07 MAY 2019

The Board of Directors
MESTRON HOLDINGS BERHAD
Suite 10.02, Level 10
The Gardens South Tower,
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Dear Sirs,

Independent Market Research ("IMR") report on the Street Lighting, Construction and Telecommunication Industries in conjunction with the Listing of MESTRON HOLDINGS BERHAD on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD ("**PROVIDENCE**") has prepared this IMR report on the Street Lighting, Construction and Telecommunication Industries for inclusion in the Prospectus of MESTRON HOLDINGS BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions, competitive landscape and government regulations.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has close to 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

1 THE STREET LIGHTING INDUSTRY IN MALAYSIA

Street lighting products primarily comprise street light poles as well as outdoor lighting products. Collectively, these products are used to provide light to illuminate public and private roads, highways, pedestrian walkways, train lines, railway crossings and bridges. Street lighting products are thus necessary amenities for the safety and security of the public as it increases visibility during the night for drivers, riders and pedestrians.

In a typical infrastructure construction project (particularly for construction of roads, highways, walkways, train lines or bridges), the respective local town council or property development company will appoint a main construction company to plan, manage and supervise the entire construction project. The appointed main construction company will then engage the appointed sub-contractors to carry out their specialised trade works (such as mechanical and electrical ("**M&E**") works, foundation and piling works, and piping and drainage works), amongst other things.

The installation of street lighting is a key subset of M&E works required for infrastructure construction projects. These M&E contractors will install the street lighting products with electrical systems (comprising networks of electrical wiring, cables and other electrical products that enable street lights to function).

While M&E contractors are involved in the installation of these street lighting products, they do not manufacture these products. The street lighting products and other electrical products are sourced from specialised manufacturers and distributors. In the case of public road construction projects, street lighting products used must be sourced from suppliers approved by the Public Works Department Malaysia (referred hereon in this report as "**JKR**").

The street lighting industry value chain comprises:

- **Street light pole manufacturers**, which refer to manufacturers of street light poles. These manufacturers may sell directly to M&E contractors or through other intermediaries (including electrical product distributors);
- **Outdoor lighting product specialists**, which refer to manufacturers of outdoor lighting products used for street lighting. These specialists may sell directly to M&E contractors or through outdoor lighting product distributors or electrical product distributors;
- **Outdoor lighting product distributors**, which refer to distributors of outdoor lighting products;
- **Electrical product distributors**, which refer to distributors of various electrical products and can be involved in the distribution of street lighting products; and
- **M&E contractors**, which refer to contractors that perform the installation of street lighting products, among other M&E works.

The roles of each of the industry players within the street lighting industry are as elaborated below:

	Street light pole manufacturing	Outdoor lighting product manufacturing	Outdoor lighting product trading/ distribution	Street light pole trading / distribution	Installation of street lighting and M&E works
Street light pole manufacturers					
Outdoor lighting product specialists					
Outdoor lighting product distributors					
Electrical product distributors					
M&E contractors					

Note:
denotes the segment which Mestron Holdings Berhad and its subsidiaries (collectively referred to as "**Mestron Group**") is involved in
Source: PROVIDENCE

Mestron Group is a street light pole manufacturer and outdoor lighting product distributor. As such, this chapter will assess the street light pole industry in Malaysia (which is the industry in which Mestron Group operates as a street light pole manufacturer) as well as the outdoor lighting product market in Malaysia (which denotes the demand for outdoor lighting products distributed by Mestron Group).

STREET LIGHT POLES: INDUSTRY SIZE AND GROWTH POTENTIAL

Street light poles are columns used to support outdoor lighting products and house related cables and wiring. There are 3 types of street light poles, i.e. steel, concrete and fibreglass street light poles. Steel street light poles are more commonly used compared to concrete and fibreglass street light poles as they are easier to install, can withstand a higher wind load and/or are less susceptible to ultraviolet light damage.

The street light pole industry comprises companies which are principally involved in the manufacturing of street light poles. These companies are also typically involved in the manufacturing of poles of similar structure as the manufacturing capabilities required for these poles are similar in terms of equipment and process. In summary, the types of poles produced by street light pole manufacturers are as follows:

- **Standard street light poles** – most common pole type used on public and private roads, highways and pedestrian walkways, and are tapered octagonal in shape;
- **Decorative light poles** – aesthetically designed poles that can also be used as a design element. Typically used on roads and pedestrian walkways in private residential and commercial developments; and
- **Specialty poles** – refers to other types of poles of similar structure such as poles used to support traffic lights, surveillance cameras and floodlights (also known as high mast poles) as well as telecommunication monopoles, and oil and gas and mining light poles.

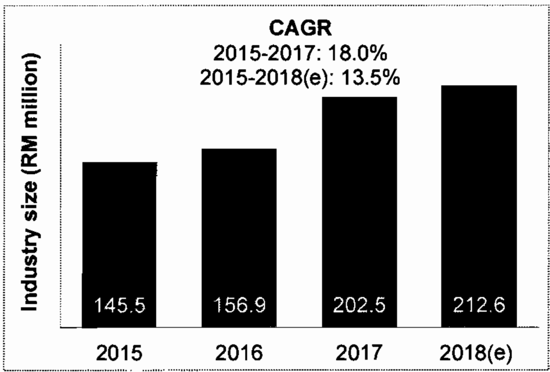
Street light poles which are used on public roads and highways are regulated under the Specification for Road Lighting Installation ("**Road Lighting Specification**") by JKR. Under the Road Lighting Specification, street light poles should be tapered in an octagonal or round shape using hot dip galvanised steel, pre-stressed spun concrete columns or fibreglass reinforced material. These street light poles must also comply with BS EN 40 - 5:2002 or ANSI C-136.20 and ASTM D4923-89 (or other approved international standards).

The street light pole industry size in Malaysia between 2015 and 2017 was computed based on revenues for the respective financial years of identified street light pole manufacturers in Malaysia.

Between 2015 and 2017, the street light pole industry size in Malaysia demonstrated a healthy compound annual growth rate ("**CAGR**") of 18.0%. The street light pole industry in Malaysia grew from RM145.5 million in 2015 to RM202.5 million in 2017. The street light pole industry in Malaysia is largely driven by the residential and commercial as well as infrastructure and social amenities construction sub-sector, which require street lighting to illuminate these structures for safety and security purposes.

Moving forward, PROVIDENCE expects that the street light pole industry in Malaysia would have been impacted by the slowdown in the construction industry in 2018, arising from uncertainties post the Malaysian General Election 2018. PROVIDENCE estimates the street light pole industry in Malaysia recorded an industry size of RM212.6 million in 2018. Nevertheless, the street light pole industry in Malaysia is expected to recover and will continue to grow in light of on-going and upcoming construction projects. PROVIDENCE forecasts the street light pole industry in Malaysia to grow at a CAGR of 9.8%, from an estimated RM212.6 million in 2018 to RM256.1 million in 2020.

Street light pole industry in Malaysia



Notes:
1. The street light pole industry size in Malaysia between 2015 and 2017 was computed based on revenues for the respective financial years of identified street light pole manufacturers in Malaysia. As the revenues for some industry player(s) were not publicly available, PROVIDENCE has used financial information obtained via primary interviews.
2. Street light pole industry size includes industry size for standard street light poles, decorative light poles and specialty poles
3. Street light pole industry size may include revenue from other types of products such as guardrails, manholes, artificial reefs and telecommunication and electricity substation tower structures
4. Latest publicly available information is as at 2017
5. (e) – estimate. Revenues of most street light pole industry players in 2018 are not publicly available. The street light pole industry size has been estimated using revenues of industry players that were publicly available, information from primary interviews and PROVIDENCE's proprietary forecast model which has the following parameters as inputs:
   - Actual historical CAGR of the street light pole industry in Malaysia
   - Key growth drivers, risks and challenges of the street light pole industry in Malaysia

Source: Companies Commission of Malaysia, PROVIDENCE

OUTDOOR LIGHTING PRODUCTS: MARKET SIZE AND GROWTH POTENTIAL

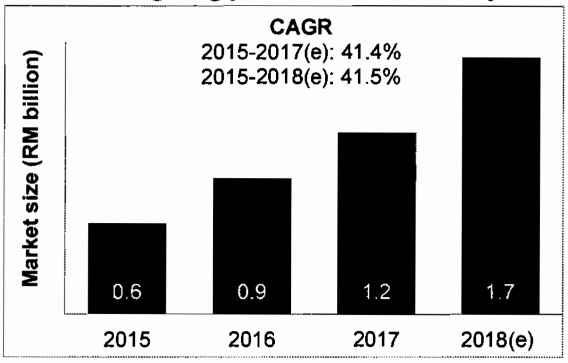
Outdoor lighting products refer to devices that provides light when connected to an electricity source, and are used in outdoor areas. In the context of this IMR report, outdoor lighting products refer to outdoor lighting products used for street lighting purposes.

The market size for outdoor lighting products, as measured by the sales of outdoor lighting products, has demonstrated a healthy CAGR of 41.4% between 2015 and 2017. The outdoor lighting product market size grew from RM0.6 billion in 2015 to RM1.2 billion in 2017.

The outdoor lighting product market is driven by the residential and commercial as well as infrastructure and social amenities construction sub-sectors. Further, its growth is also supported by the shift in demand towards energy-saving outdoor lighting products.

The outdoor lighting product market in Malaysia is expected to be less susceptible to the slowdown in the construction industry in 2018 as it was supported by demand created from the growing trend to use energy-saving outdoor lighting products. PROVIDENCE estimates that the outdoor lighting product market recorded a market size of RM1.7 billion in 2018. Moving forward, PROVIDENCE forecasts the outdoor lighting product market size in Malaysia to grow from the estimated RM1.7 billion in 2018 to RM3.1 billion in 2020, at a CAGR of 35.0%.

Outdoor lighting product market in Malaysia



Notes:
1. (e) – estimate. Final sales information on outdoor lighting products in Malaysia for 2018 is not publicly available. Sales of outdoor lighting products in 2018 has been estimated based on an annualised sales trend using monthly sales information of outdoor lighting products
2. Market size may include outdoor lighting products which are not used for street lighting and other types of electrical products

Source: Companies Commission of Malaysia, PROVIDENCE

DEMAND CONDITIONS: KEY GROWTH DRIVERS

On-going and upcoming infrastructure and social amenities developments will support the demand for street lighting products

Street lighting products are necessary to illuminate any roads, highways and bridges and as such, the construction of these infrastructure will create demand for street lighting products.

The infrastructure and social amenities construction sub-sector in Malaysia has been primarily driven by a growing number of vehicles and rising urbanisation within the country. The infrastructure and social amenities construction sub-sector grew by 31.5% between 2015 and 2017.[1] Meanwhile, the value of completed construction projects in Malaysia increased from RM114.9 billion in 2015 to RM145.5 billion in 2018, registering a CAGR of 8.2% during the period[2] (please refer to Chapter 2 – The Construction Industry in Malaysia for further details). Malaysia is a developing nation with a vision to achieve a developed status by 2020. There have thus been several planned infrastructure developments to spur the development of the country.

Whilst awarded contracts in the infrastructure and social amenities construction sub-sector is expected to have been adversely affected in 2018 by uncertainties arising from the cancellation, postponement and cost cutting measures of several major infrastructure developments post the Malaysian General Election 2018, infrastructure development in the country is still expected to continue in the coming years. Some of the on-going infrastructure development projects include Damansara–Shah Alam Elevated Expressway, East Klang Valley Expressway, Lebuhraya Putrajaya-KLIA (MEX 2), Central Spine Road, Sungai Besi-Ulu Kelang Expressway and West Coast Expressway. In April 2019, the Government announced that the East Coast Rail Line project will resume and is expected to be completed by 2026.

Further, the Budget 2019 included provisions of RM926.0 million to build and upgrade roads and bridges, RM2.5 billion to upgrade and restore railway tracks and implementation of 24 private-public partnership infrastructure projects worth RM5.2 billion. The Johor State Government also intends to construct a new

[1] Source: Construction Industry Review and Prospect 2018/2019, Construction Industry Development Board ("**CIDB**"). Latest publicly available information on annual construction statistics is as at 2017
[2] Source: Department of Statistics Malaysia

bridge to link Johor Bahru and Singapore to ease the traffic congestion at the existing Johor-Singapore Causeway and Malaysia-Singapore Second Link.

The abovementioned infrastructure development projects will continue to remain as a constant driver for the street lighting industry in Malaysia.

Long-term growth in residential, commercial and industrial developments will support the demand for street lighting products

Between 2010 and 2017, the nation's residential construction sub-sector grew at a CAGR of 11.0%.[3] The number of residential properties grew from 4.4 million as at fourth quarter of 2010 to 5.6 million as at third quarter of 2018.[4] Meanwhile, commercial and industrial construction grew from RM32.3 billion in 2010 to RM57.8 billion in 2017, in terms of awarded project values, recording a CAGR of 8.7% during the period.[4]

While the residential property market is expected to have recorded a slowdown in 2018, it is expected to recover in the coming years in light of several Government initiatives under Budget 2019 to encourage demand for residential properties, such as the National Home Ownership Campaign and the creation of "Property Crowdfunding" platforms as an alternative source of financing for first-time home buyers. The commercial and industrial construction sub-sector is expected to be supported by several prime commercial developments such as the Exchange 106, Bukit Bintang City Centre, Pulau Indah Industrial Park and Island Medical City. Malaysia's industrial sub-sector is expected to be spurred by strong levels of foreign and domestic investments.

Please refer to Chapter 2 – The Construction Industry in Malaysia for further details on the construction industry in Malaysia.

Street lighting products are necessary to illuminate the roads and walkways to allow for accessibility to these residential, commercial and industrial properties. As such, the street lighting industry in Malaysia is expected to benefit from the continuous growth in the residential, commercial and industrial construction sub-sectors in Malaysia over the long-term.

Various Government-driven initiatives and regulations will contribute to the growth of the street lighting industry

Under the Street, Drainage and Building Act 1974, local authorities are responsible for the maintenance and repair of public streets and amenities such as street lighting. The local authorities are also responsible for making sure private companies (including property developers) that construct roads, highways, walkways, crossings and bridges also provide street lighting, upon written permission from the local authority. With this Act in place, local authorities are responsible for making sure that public streets that fall under their jurisdiction are equipped with functional street lights.

The previous Government announced in the Budget 2017 that approximately 97,000 street lighting products will be installed nationwide. In Budget 2018, the previous Government announced that RM1.1 billion will be allocated for projects in Sarawak which includes the installation of new and upgrading of existing street lighting products. Meanwhile, RM200.0 million will also be provided to Federal Land Development Authority ("**FELDA**") to upgrade street lighting products. The Budget 2019 announced by the present Government included provisions of RM35.0 million for the building and improvement of infrastructure, and street lighting installations for FELDA settlements. As at the date of this IMR report, these initiatives are deemed relevant despite the change in Government after the Malaysian General Election 2018, as there has not been any public announcement(s) on cancellations or amendments of these initiatives.

Thus, in light of the above, the street lighting industry in Malaysia is expected to be driven by demand for both new street lighting products and replacement of existing street lighting products.

Growing trend of using energy-saving outdoor lighting products, creating demand for outdoor lighting products

There is a growing trend amongst municipal councils in Malaysia to implement the requirement of energy-saving outdoor lighting products for street lighting in new townships. These energy-saving outdoor lighting products include light-emitting diode ("**LED**") lighting products as well as smart outdoor lighting products

[3] Source: Construction Industry Review and Prospect 2018/2019. Latest publicly available information on annual construction statistics is as at 2017

[4] Source: National Property Information Centre ("**NAPIC**"). Latest publicly available information is as at third quarter 2018

(which are equipped with sensors to manage energy efficiency). Specifically, the municipal councils in the state of Terengganu and Johor Bahru Tengah have been working on implementing these initiatives.

The Asian Development Bank and Malacca Bio-Technology Corporation are working towards a public-private partnership to install energy efficient outdoor lighting products in Malacca in 2018. The project involves the installation of over 100,000 smart LED road lamps across the state and is expected to cost an estimated RM199.0 million. Meanwhile, Penang aims to be the first state in Malaysia to use LED outdoor lighting products in all of its street lighting by 2020. This was part of efforts to fulfil the initiatives announced during the Malaysian General Election 2018, and is still an on-going initiative as announcements have been made post the Malaysian General Election 2018 to pursue this initiative. In April 2019, the Ministry of Housing and Local Government announced their intention to use LED outdoor lighting products for all street lighting in Malaysia, and this will be rolled out in stages.

According to the Ministry of Housing and Local Government, approximately 80.0% of street lighting in Malaysia are not using LED outdoor lighting products, indicating the potential demand for LED outdoor lighting products in Malaysia in light of the Government's plans to use LED outdoor lighting products for all street lighting nationwide. As such, this is expected to create demand for outdoor lighting products, which will benefit the street lighting industry in Malaysia.

INDUSTRY DYNAMICS

As Mestron Group is principally involved in manufacturing of steel poles and trading of outdoor lighting products, this chapter aims to assess the supply conditions, risks and challenges and product substitution/ reliance on imports affecting a steel street light pole manufacturer and outdoor lighting product distributor.

Supply Conditions

Availability and cost of steel materials and supplies of outdoor lighting products

The materials and supplies used in the manufacturing of street light poles are primarily steel plates and pipes, concrete bases, flag holders and junction boxes. In general, most of these materials and supplies are readily available through local suppliers. Though they can be sourced from local suppliers, the cost of steel materials is subject to factors that affect supply and demand of steel products. Further, while these materials and supplies are generally sourced from local suppliers, some materials, namely steel plates, may not be manufactured locally. As such, these materials may be subject to factors such as import restrictions and global prices of the material.

Meanwhile, outdoor lighting products are sourced from outdoor lighting product specialists which are approved by JKR to supply for street lighting on public roads. There are more than 30 outdoor lighting product suppliers and thus, these supplies are readily available to outdoor lighting product distributors.

Availability of equipment and labour for the manufacturing of street light poles

Street light pole manufacturing requires human labour and equipment. Equipment utilised in the manufacturing of street lights include, amongst others, shearing machines, bending machines as well as welding machines. Human labour is required to transfer the materials from one equipment to another, to assemble the steel poles with accessories to form final products, as well as to conduct quality checks.

Both equipment and labour are readily available, where equipment is typically purchased from foreign suppliers, and both local and foreign workers are hired as labour.

Industry Risks and Challenges

The industry is dependent on the construction industry as an end-user industry

The street light pole industry grows in tandem with the construction industry and is thus dependent on the growth of infrastructure and property developments. As such, any cutbacks in Government expenditure on infrastructure construction and/or material decreases in the demand for residential, commercial and industrial properties in Malaysia may have an adverse impact on the performance of street light pole manufacturers.

Post the Malaysian General Election 2018, there were postponement and cost cutting measures of several major infrastructure projects to address the prevailing Government debt and liability issue in the country. These projects include the High Speed Rail and the Mass Rapid Transit (MRT) 3 projects. Thus, this has caused a short-term uncertainty as to whether more infrastructure projects will be postponed, reduced in value, or introduced due to changes in the political environment.

Nevertheless, it is important to note that infrastructure development is key to the economic development of the nation as infrastructure is necessary to support growth in population, urbanisation and economic activity in the country. As such, the Government of Malaysia is likely to continue maintaining or introduce new projects to promote the country's growth in the coming years. As an illustration, the Budget 2019 included provisions to build and upgrade roads and bridges, upgrade and restore railway tracks and implementation of 24 private-public partnership infrastructure projects. In addition, there are still on-going infrastructure development projects such as Damansara-Shah Alam Elevated Expressway, East Klang Valley Expressway, Lebuhraya Putrajaya-KLIA (MEX 2), Central Spine Road, Sungai Besi-Ulu Kelang Expressway and West Coast Expressway.

Street light pole manufacturers may be affected by rising prices of raw materials

The major material used in street light pole manufacturing is steel, comprising sheets and pipes. The prices of steel sheets and pipes are subject to, amongst others, market supply and demand conditions, prices of raw materials for the production of steel, prevailing energy costs and Government regulations.

As an illustration, the Government of Malaysia had announced a progressive liberalisation of hot rolled steel plates, with a provisional safeguard duty imposed from July 2015 to July 2016 of 17.4%, July 2016 to July 2017 of 13.9% and July 2017 to July 2018 of 10.4%. The liberalisation of hot rolled steel plates had resulted in a decrease in import prices of these materials, resulting in a decline in prices of steel plates in 2016. However, prices of steel plates began to increase in 2017 in line with rising global steel prices.

Any material increase in price of steel may lead to a rise in the cost of production. If the manufacturers of street light poles are unable to pass on this rise in raw material cost to their customers, they will have to bear the increasing costs and this may have a material impact on their financial performance.

Import price of hot rolled steel products

Year	Average annual price (USD per metric tonne)
2015	486.8
2016	427.7
2017	549.7

Notes:
1. Prices are based on the correlation between total value and volume of hot rolled steel products
2. Latest publicly available information is as at 2017

Source: United Nations Comtrade, PROVIDENCE

Industry players may be affected by any changes in rules affecting employment of foreign workers

While many of the steel pole manufacturers semi-automate their manufacturing processes, there is still a certain degree of dependency on foreign labour. The employment of foreign workers may be affected by any changes in rules imposed by the Government.

Beginning 2018, the Government has enforced that employers, instead of workers, will be responsible for paying the foreign workers levy. In February 2019, the Government announced that foreign worker levy fees will be temporarily reduced by RM4,000 for companies operating in the manufacturing sector between 1 March 2019 and 29 February 2020. The Government of Malaysia had also implemented a minimum monthly wage of RM1,100 or RM5.29 per hour from January 2019 onwards, which is an increase from the present minimum monthly wage of RM1,000 in Peninsular Malaysia and RM920 in East Malaysia. Any changes in the foreign workers levy and minimum wages may increase the cost of hiring foreign labour, thus affecting industry players' profitability.

In addition, post the Malaysian General Election 2018, the Prime Minister of Malaysia, Tun Dr Mahathir Mohamad had announced the Government's intention to establish a single system to hire foreign workers which does not differentiate source countries. Further, an intention to impose a foreign worker to local worker ratio system has also been announced. As the details of these foreign worker systems have not been announced, its effects on foreign worker employment is still presently uncertain.

Industry players are subject to regulations set out by the Government and must renew and maintain their product certifications and registrations

Street light poles which are used on public roads and highways are regulated by JKR in terms of their quality standards. Under the Road Lighting Specification by JKR, street light poles must comply with approved international product certifications (e.g. BS EN 40 - 5:2002) in order to be used on public roads. There are no official requirements set out by Government associations for street light poles used on private roads. However, M&E contractors, main construction companies and property development companies typically opt to source from street light pole manufacturers approved by JKR (which have the relevant product certifications and registrations) for large residential, commercial and industrial developments as these approval and product certifications/registrations demonstrate the manufacturers' capability in meeting their requirements. As such, in the event of changes in the regulations set out by the Government and the failure of street light pole manufacturers to renew or maintain their product certifications and registrations, the street light pole manufacturer could lose its approval from JKR and face challenges in bidding for and securing projects in the construction industry.

Product / service substitution and reliance and vulnerability to imports

There are no products that can fully replace street lighting products in Malaysia. Street light poles in Malaysia are typically locally sourced. This is largely because local street light pole manufacturers have the required manufacturing capabilities and it will be costlier to import.

COMPETITIVE OVERVIEW

The competitive landscape of the street lighting industry in Malaysia can be segmented into the competitive landscape of the street light pole industry as well as outdoor lighting product industry.

The street light pole industry in Malaysia is a niche industry, primarily comprising local industry players. PROVIDENCE has identified 9 industry players on the basis that:

(i) they are listed as an approved supplier for street light poles by the JKR; or
(ii) they are principally involved in the manufacturing of street light poles in Malaysia, based on publicly disclosed information.

Only 7 of these industry players are approved by JKR to supply street light poles for public roads. Most of these industry players manufacture all 3 types of poles, i.e. standard and decorative street light poles as well as specialty poles.

Meanwhile, outdoor lighting products are sold by outdoor lighting product specialists and outdoor lighting product distributors. While outdoor lighting product distributors are typically local industry players, outdoor lighting product specialists can be either local industry players or foreign industry players with a local representative or subsidiary. PROVIDENCE estimates that there are over 30 suppliers in Malaysia that are supplying outdoor lighting products for street lighting purposes.

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Financial performance of street light pole manufacturers

For the purpose of this IMR report, this section will detail street light pole manufacturers so as to be comparable with Mestron Group. The following sets out the latest available financial information of these manufacturers:

Company	Product segment				Latest available financial year end	Revenue (RM '000)	Gross Profit (RM '000)	Gross profit margin
	Standard street light poles	Decorative light poles	Specialty poles	Outdoor lighting products				
Alupole (M) Sdn Bhd[3] [4]	✓	✓	✓	×	31 May 2017	7,066	N/A[8]	N/A[8]
Décor Poles Sdn Bhd[4]	×	✓	✓	×	31 December 2017	6,326	463	7.3%
Galvapole Industries Sdn Bhd[5]	✓	×	✓	×	N/A[9]	N/A[9]	N/A[9]	N/A[9]
Lysaght Galvanized Steel Berhad[3] [5]	✓	✓	✓	×	31 December 2018	67,911	20,246	29.8%
Mestron Group[5]	✓	✓	✓	✓	31 December 2018	41,133[10]	11,878[10]	28.9%[10]
Oversea Deco Industrial Sdn Bhd[6]	✓	✓	✓	✓	31 December 2017	2,760	497	18.0%
Perfect Pole Sdn Bhd[5]	✓	✓	✓	×	31 December 2017	4,003	1,646	41.1%
PMW Concrete Industries Sdn Bhd[3] [5]	✓	✓	✓	×	31 August 2018	12,825	N/A[8]	N/A[8]
Segenting Bersatu Sdn Bhd[7]	✓	×	✓	×	N/A[9]	N/A[9]	N/A[9]	N/A[9]

Notes:
1. The above list contains information based on publicly disclosed information
2. The above list is an exhaustive list of industry players principally involved in street light pole manufacturing, based on the approved supplier list for street light poles by JKR and publicly available information
3. Financial information may include other products not related to poles such as guardrails, manholes, artificial reefs and telecommunication and electricity substation tower structures as the segmental financial information for these products is not publicly available and cannot be excluded
4. Identified as an industry player as it is involved in the manufacturing of street light poles based on information provided in the company's website
5. Identified as an industry player as it is listed as an approved supplier for street light poles by JKR
6. Oversea Deco Industrial Sdn Bhd was identified as an industry player as it is the manufacturing arm of Oversea Lighting & Electric (M) Sdn Bhd which is listed as an approved supplier for street light poles by JKR
7. Segenting Bersatu Sdn Bhd was identified as an industry player as the retailer of its brand of street light poles, i.e. 2C Innovations Sdn Bhd, is listed as an approved supplier for street light poles by JKR
8. As at the date of this IMR report, the gross profit of Alupole (M) Sdn Bhd and PMW Concrete Industries Sdn Bhd are not publicly available as the full financial reports of these companies cannot be obtained from the Companies Commission of Malaysia. A full financial report refers to a financial report lodged by the company with the Companies Commission of Malaysia that has the detailed income statement, balance sheet and other financial information of the company
9. N/A - Financial information for Galvapole Industries Sdn Bhd and Segenting Bersatu Sdn Bhd are not available as they are private exempt companies. According to Section 2(1) of the Companies Act 2016, a private exempt company refers to a private company which is not held directly or indirectly by any corporation, and which has not more than 20 shareholders none of whom is a corporation. In reference to Section 260 (1) of the Companies Act 2016, a private exempt company must lodge with the Companies Commission of Malaysia a certificate relating to its status as an exempt private company in lieu of lodging its financial statements and report with Companies Commission of Malaysia
10. Financial information disclosed is the segmental financial information for the Group's steel pole manufacturing segment

11. The street light pole industry size from 2015 to 2017 was computed based on the revenues for the respective financial years of the abovementioned industry players, save for Segenting Bersatu Sdn Bhd which was included in the list of approved suppliers for street light poles by JKR in 2019. As the financial information for some of the industry players is not publicly available, PROVIDENCE has used financial information obtained via primary interviews for these industry players

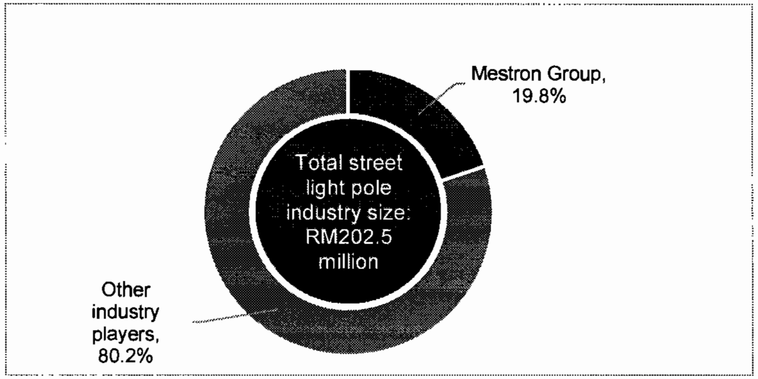
Source: Various company websites and annual report(s), Companies Commission of Malaysia, JKR, PROVIDENCE

Financial performance in the FYE 2017, and market share in the FYE 2017 and FYE 2018

Based on reported financial information for the financial year end ("**FYE**") 2017, Lysaght Galvanised Steel Berhad and Mestron Group recorded the highest revenue and gross profit as compared to other industry players. Lysaght Galvanised Steel Berhad recorded a revenue of RM90.8 million and a gross profit of RM33.1 million in the FYE 2017. Meanwhile, Mestron Group recorded a revenue of RM40.1 million[5] and a gross profit of RM10.5 million in the FYE 2017. In terms of gross profit margin, Perfect Pole Sdn Bhd outperformed other industry players with a gross profit margin of 41.1%, while Lysaght Galvanised Steel Berhad and Mestron Group recorded a gross profit margin of 36.5% and 26.1%[5] respectively in the FYE 2017. PROVIDENCE is unable to comment further as it does not have sufficient information on the industry players, as only limited financial information is publicly available.

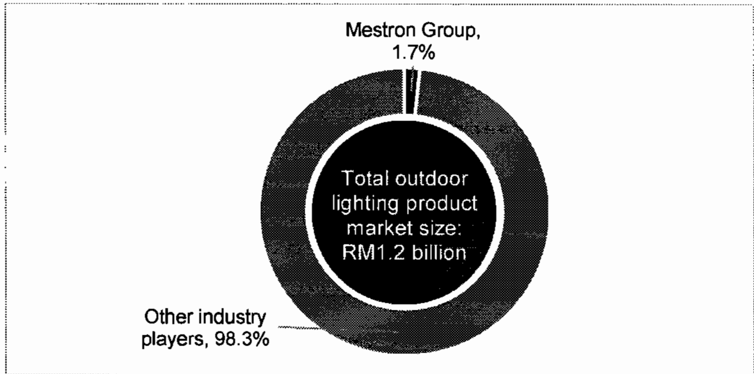
Based on the revenue generated from Mestron Group's steel pole manufacturing segment of RM40.1 million and the total street light pole industry size of RM202.5 million in 2017, Mestron Group garnered an industry revenue share of 19.8% in the year. Meanwhile, based on the revenue derived from Mestron Group's outdoor lighting product trading segment of RM20.4[6] million and the total market size for outdoor lighting products in Malaysia of an estimated RM1.2 billion in 2017, Mestron Group is estimated to have garnered a market share of 1.7% in the year.

Mestron Group's industry revenue share in the street light pole industry in Malaysia, 2017



Source: Companies Commission of Malaysia, JKR, PROVIDENCE

Mestron Group's market share in the outdoor lighting product market in Malaysia, 2017

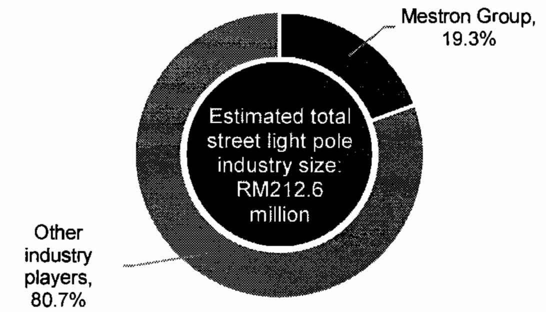


Source: Companies Commission of Malaysia, PROVIDENCE

[5] Financial information disclosed is the segmental financial information for Mestron Group's steel pole manufacturing segment
[6] Mestron Group's outdoor lighting product trading segmental revenue excludes export sales of outdoor lighting products

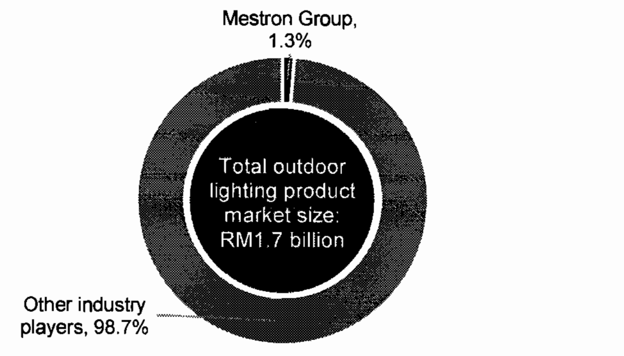
Based on the revenue generated from Mestron Group's steel pole manufacturing segment of RM41.1 million and the estimated total street light pole industry size of RM212.6 million in 2018, Mestron Group is estimated to have garnered an industry revenue share of 19.3% in the year. Meanwhile, based on the revenue derived from Mestron Group's outdoor lighting product trading segment of RM22.5[7] million and the estimated total market size for outdoor lighting products in Malaysia of RM1.7 billion in 2018, Mestron Group is estimated to have garnered a market share of 1.3% in the year.

Mestron Group's estimated industry revenue share in the street light pole industry in Malaysia, 2018



Source: Companies Commission of Malaysia, JKR, PROVIDENCE

Mestron Group's estimated market share in the outdoor lighting product market in Malaysia, 2018



Source: Companies Commission of Malaysia, PROVIDENCE

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[7] Mestron Group's outdoor lighting product trading segmental revenue excludes export sales of outdoor lighting products

2 OVERVIEW OF THE CONSTRUCTION INDUSTRIES IN MALAYSIA, SINGAPORE, AUSTRALIA, NEW ZEALAND, BRUNEI AND SRI LANKA

This chapter aims to assess the construction industries in Malaysia, Singapore and Australia, which are key markets Mestron Group presently serves, and the construction industries in New Zealand, Brunei and Sri Lanka, which are the markets Mestron Group intends to expand their presence in.

THE CONSTRUCTION INDUSTRY IN MALAYSIA

In 2015, the construction industry in Malaysia experienced a dip of 23.2%, with an awarded project value of RM142.1 billion.[8] The fall in awarded project values in the year was largely due to a slowdown in economy in Malaysia as a result of the depreciating RM and falling crude oil prices. These factors have adversely impacted the construction industry in Malaysia as there was a cutback in private and public expenditure on construction activities.

Nevertheless, the construction industry in Malaysia was resilient and rebounded by 77.1%, to reach RM251.6 billion in terms of awarded project values, in 2016.[8] Much of this growth was bolstered by a growth in infrastructure projects. The infrastructure development sub-sector of the construction industry grew by 382.8% during the same period.[8]

The construction industry in Malaysia declined by 35.2% to RM163.1 billion in terms of awarded project values in 2017.[8] This was largely due to a slowdown in the infrastructure projects as compared to the previous year, which declined by 66.7% from the previous year.[8] Nevertheless, expenditure on road infrastructure grew from USD2.7 billion (RM10.5 billion[9]) in 2015 to an estimated USD3.3 billion (RM14.2 billion[10]) in 2017.[11]

Meanwhile, the value of completed construction projects in Malaysia increased from RM114.9 billion in 2015 to RM145.5 billion in 2018, registering a CAGR of 8.2% during the period.[12]

The residential property market is expected to have experienced a slowdown in 2018, as indicated by the lower value of completed residential construction projects which stood at RM27.8 billion as at the third quarter of 2018 (as at the third quarter of 2017: RM29.6 billion).[13]

There is also a lower number of residential units that were completed and are incoming as at the third quarter of 2018. There were 68,739 newly completed units and 461,544 units registered as incoming as at the third quarter of 2018, which is lower than the number of newly completed and incoming properties recorded as at the third quarter of 2017 (newly completed as at third quarter 2017: 73,971 units; incoming as at third quarter 2017: 480,060).[13] Nevertheless, the residential property market is expected to recover in the coming years, in light of several initiatives announced under Budget 2019 to encourage demand for residential properties, such as the National Home Ownership Campaign and the creation of "Property Crowdfunding" platforms as an alternative source of financing for first-time home buyers. Further, the residential property market is also expected to be supported by Government initiatives to develop more affordable housing units.

Meanwhile, several major infrastructure developments were cancelled or postponed post the Malaysian General Election 2018, and is thus expected to have resulted in a slowdown in the infrastructure and social amenities construction sub-sector in 2018. Nevertheless, infrastructure development in the country is still expected to continue and some of the on-going infrastructure development projects include East Coast Rail Line, Mass Rapid Transit (MRT) 2, Damansara–Shah Alam Elevated Expressway, East Klang Valley Expressway, Lebuhraya Putrajaya-KLIA (MEX 2), Central Spine Road, Sungai Besi-Ulu Kelang Expressway and West Coast Expressway. Further, the Budget 2019 included provisions of RM926.0 million to build and upgrade roads and bridges, RM2.5 billion to upgrade and restore railway tracks and implementation of 24 private-public partnership infrastructure projects worth RM5.2 billion. The Johor

[8] Source: Construction Industry Review and Prospect 2018/2019, CIDB. Latest publicly available information on annual construction statistics is as at 2017

[9] Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD 1=RM3.9073

[10] Exchange rate from USD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD 1=RM4.3008

[11] Source: Global Infrastructure Hub. Latest publicly available information is as at 2017

[12] Source: Department of Statistics Malaysia

[13] Source: NAPIC. Latest publicly available information is as at the third quarter 2018

State Government also intends to construct a new bridge to link Johor Bahru and Singapore to ease the traffic congestion at the existing Johor-Singapore Causeway and Malaysia-Singapore Second Link.

THE CONSTRUCTION INDUSTRY IN SINGAPORE

The construction industry in Singapore comprises the residential, commercial, industrial and infrastructure or civil engineering construction sub-sectors. The total construction industry in Singapore experienced a decline post-2014, and this was largely witnessed in the residential, commercial and industrial sub-sectors. Between 2015 and 2018, the commercial and industrial sub-sectors recorded negative CAGRs of 12.6% and 5.9%, respectively.[14] Meanwhile, the infrastructure or civil engineering construction sub-sector continued to grow during the same period, from SGD5.5 billion (RM15.6 billion[15]) in 2015 to SGD9.5 billion (RM28.4 billion[16]) in 2018 registering a CAGR of 20.0% during the period.[14] Much of this sub-sector's growth was largely supported by public sector projects. Specifically, expenditure on road infrastructure was estimated to be USD748.4 million (RM3.2 billion[17]) in 2017.[18] The residential construction sub-sector also grew from SGD7.8 billion (RM22.1 billion[15]) in 2015 to SGD9.0 billion (RM26.9 billion[16]) in 2018, at a CAGR of 5.1% over the same period.[14]

THE CONSTRUCTION INDUSTRY IN AUSTRALIA

Between 2015 and 2018, the total construction industry in Australia declined by 1.7%, from AUD88.2 billion (RM258.5 billion[19]) in 2015 to AUD83.7 billion (RM252.5 billion[20]) in 2018.[21] The residential construction sub-sector in Australia witnessed a CAGR of 1.6% between 2015 and 2018, from AUD18.0 billion (RM52.8 billion[19]) in 2015 to AUD18.9 billion (RM57.0 billion[20]) in 2018.[21] Meanwhile, the commercial and industrial construction sub-sector remained between AUD45.0 billion (RM131.9 billion[19]) in 2015 and AUD43.1 billion (RM130.0 billion[20]) in 2018, registering a negative CAGR of 1.4% during the period.[21] On the other hand, the engineering construction sub-sector, comprising mining works and heavy industrial activities, as well as infrastructure construction, declined from AUD25.2 billion (RM73.9 billion[19]) in 2015 to AUD21.8 billion (RM65.8 billion[20]) in 2018 at a negative CAGR of 4.7%.[21] This was largely due to a fall in engineering construction works in the mining industry in Australia. Nevertheless, the country's expenditure on road infrastructure grew from USD12.4 billion (RM48.5 billion[22]) in 2015 to an estimated USD14.3 million (RM61.5 billion[17]) in 2017.[18]

The construction industry in Australia is expected to grow in 2019 and in the coming years in light of several major public infrastructure projects that have been announced, including the Western Sydney Airport which began in 2018 and is expected to be completed in 2026, WestConnex which began in 2018 and is expected to be completed by 2023, Sydney Metro: City and Southwest of which tunnel construction, excavation and structural works is expected to last through 2018 to 2020, as well as the M80 Ring Road upgrade which is expected to begin late 2019 and be completed by 2023.

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[14] Source: Department of Statistics Singapore. Latest publicly available information is as at 2018
[15] Exchange rate from SGD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at SGD 1=RM2.8388
[16] Exchange rate from SGD to RM in 2018 was converted based on average annual exchange rates in 2018 extracted from published information from Bank Negara Malaysia at SGD 1=RM2.9912
[17] Exchange rate from USD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD 1=RM4.3008
[18] Source: Global Infrastructure Hub. Latest publicly available information is as at 2017
[19] Exchange rate from AUD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at AUD 1=RM2.9314
[20] Exchange rate from AUD to RM in 2018 was converted based on average annual exchange rates in 2018 extracted from published information from Bank Negara Malaysia at AUD 1=RM3.0163
[21] Source: Department of Statistics Australia
[22] Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD 1=RM3.9073

THE CONSTRUCTION INDUSTRIES IN NEW ZEALAND, BRUNEI AND SRI LANKA

Between 2015 and 2018, the construction industry size in New Zealand, as measured in terms of value of approved building and non-building construction activities, grew from NZD16.9 billion (RM46.0 billion[23]) in 2015 to NZD21.7 billion (RM60.6 billion[24]) in 2018, at a CAGR of 8.7%.[25] Building construction activities, which include construction of residential and non-residential projects, grew from NZD16.4 billion (RM44.7 billion[23]) in 2015 to NZD21.3 billion (RM59.5 billion[24])in 2018, registering a CAGR of 9.1% during the period.[25] However, non-building construction activities, which include infrastructure construction, declined from NZD417.1 million (RM1.1 billion[23]) in 2015 to NZD442.0 million (RM1.2 billion[24]) in 2018, recording a CAGR of 2.0%.[25] Nevertheless, expenditure on road infrastructure specifically grew from USD737.7 million (RM2.9 billion[26]) in 2015 to an estimated USD977.3 million (RM4.2 billion[27]) in 2017.[28] The construction industry in New Zealand is expected to grow in 2019 and in the coming years in light of several on-going infrastructure projects including the City Rail Link project which began in 2017 and is expected to be completed by 2024, the upgrade of the Auckland Airport which began in 2014 and is expected to be completed by 2044, the Waikato Expressway which began in 2009 and is expected to be completed by 2020, and the Transmission Gully motorway which began in 2015 and is expected to be completed by 2020.

The GDP of the construction industry in Brunei registered a decline from BND441.1 million (RM1.3 billion[29]) in 2015 to BND393.1 million (RM1.2 billion[30]) in 2016, before rebounding in the following year to an estimated BND421.5 million (RM1.3 billion[31]) in 2017.[32] The construction industry in Brunei is expected to grow in 2018 and in the coming years in light of several past and on-going infrastructure projects to support the economic activity in the country including the Temburong Bridge project, Sungai Kebun Bridge project and the flyover project at Jalan Gadong and Jalan Telanai junction as well as the expansion of Jalan Residency and the Seria Bypass.

Between 2015 and 2017, the GDP of the construction industry in Sri Lanka registered a growth from LKR830.4 billion (RM23.7 billion[33]) in 2015 to LRK1.0 trillion (RM28.2 billion[34]) in 2017.[35] The construction industry in Sri Lanka is expected to grow in 2018 and in the coming years in light of several major construction projects including the construction of Port City Colombo which began in 2014 and is expected to be completed by 2041, Central Expressway which began in 2015 and is expected to be completed in 2020, Colombo light rapid transit system which is expected to commence in 2020, Matara-Kataragama railway extension project which commenced in 2013 and is expected to be completed by 2019, as well as the upgrade of Colombo's Bandaranaike International Airport which began in 2017 and is expected to be completed by 2020.

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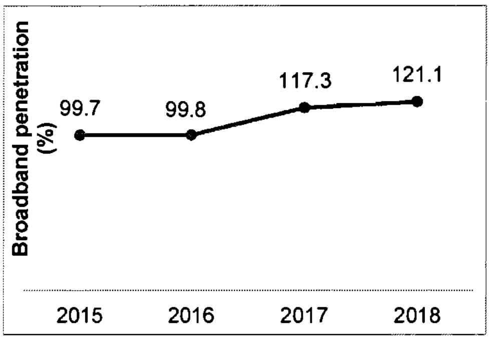
[23] Exchange rate from NZD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at NZD 1=RM2.7243
[24] Exchange rate from NZD to RM in 2018 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at NZD 1= RM2.7931
[25] Source: Statistics New Zealand
[26] Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD 1=RM3.9073
[27] Exchange rate from USD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD 1=RM4.3008
[28] Source: Global Infrastructure Hub. Latest publicly available information is as at 2017
[29] Exchange rate from BND to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at BND 1=RM2.8390
[30] Exchange rate from BND to RM in 2016 was converted based on average annual exchange rates in 2016 extracted from published information from Bank Negara Malaysia at BND 1=RM3.0015
[31] Exchange rate from BND to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at BND 1= RM3.1145
[32] Source: Department of Statistics Brunei Darussalam, Asian Development Bank. Latest publicly available information is as at 2017
[33] Exchange rate from LKR to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Exchange Rates UK at LKR 1=RM0.0286
[34] Exchange rate from LKR to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Exchange Rates UK at LKR 1=RM0.0282
[35] Source: Asian Development Bank. Latest publicly available information is as at 2017

3 Overview of the Telecommunications Industry in Malaysia

Mestron Group manufactures and sells telecommunication monopoles under its specialty pole product segment and the Group plans to expand this segment moving forward. As such, this chapter assesses the growth in the telecommunication industry in Malaysia which will indicate demand for telecommunication monopoles in the country.

Over the years, broadband penetration in Malaysia has seen healthy growth. Broadband penetration per 100 population in Malaysia grew by 21.4 percentage points, from 99.7% in 2015 to reach 121.1% in 2018.

Broadband penetration rate in Malaysia



Source: MCMC

The accessibility of Internet in residential and commercial properties have improved over the years, as a result of:

(i) increased awareness on the growing importance of broadband;

(ii) affordability of these services due to increasing number of Internet service providers and the Access Pricing Framework depicted in the 11th Malaysia Plan (2016 – 2020) that aims to reduce prices and increase broadband speed as well as the Mandatory Standard on Access Pricing by the Malaysian Communications and Multimedia Commission ("**MCMC**") which aims to reduce prices of broadband services by at least 25.0%; and

(iii) Government initiatives that aim to create demand for broadband services, such as:
- High-Speed Broadband phase 2: Enables connectivity of 100Mbps to all households in state capitals and selected high-impact growth areas by 2020; and
- Suburban Broadband: Enables connectivity of up to 20Mbps broadband access to 50.0% of households in sub-urban and rural areas by 2020.

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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 THE FUTURE PERFORMANCE OF OUR GROUP AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED HEREIN IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 We face competition from other industry players

The street lighting industry in Malaysia is a niche industry comprising a handful of local industry players. Industry players compete amongst each other in terms of their quality, reputation, experiences, price as well as technical know-how.

We face competition from both new and existing industry players. However, the barrier of entry to street lighting industry, especially the steel pole manufacturing business is high. This is because steel pole manufacturing is a capital expenditure intensive business, where high initial capital is required for the purchase of raw materials and for the set-up of manufacturing facilities. Therefore, industry players who can secure enough sales to sustain its business operations in the long term and be profitable will be able to sustain their business and remain competitive in the market.

Furthermore, we also face competition from other industry players that were recognised by JKR as approved supplier of street light poles in securing orders for public road projects.

The competition that we face from other industry players may impact our sales and profitability as we may be forced to be more price competitive to secure sales orders. We currently price our products based on the following minimum benchmark GP margin:

Products	Minimum benchmark GP margin
Standard street light poles	15.0%
Decorative light poles	25.0%
Specialty poles	30.0%
Outdoor lighting products	30.0%

We recorded the following GP margin for FYE 2017 and 2018:

Products	FYE 2017	FYE 2018
Standard street light poles	16.2%	15.8%
Decorative light poles	25.9%	25.6%
Specialty poles	43.9%	45.4%
Outdoor lighting products	47.0%	40.1%

The pricing method and GP margins recorded may not be sustainable if the level of competition for our manufacturing and trading segments increases in the future as we may be required to lower our minimum benchmark GP margin to remain competitive in the market.

Further, our products need to be of the required quality, and as such, we must strive to ensure that we are able to supply our products in the requirements and specifications required by our customers. It is also important that we can consistently deliver our products on time to our customers based on the agreed delivery date as well as method.

Hence, to remain competitive, our Group must continuously ensure that we meet the above requirements as failure to do so may negatively impact our Group's track record and industry reputation, leading to a loss of business and damage to our overall business performance.

8.1.2 We are subject to fluctuations in the price of raw materials

Our Group's raw materials mainly consist of steel plates and steel pipes. The following is the analysis of the cost of steel plates and steel pipes during the past 4 FYE 2015 to 2018:

	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Steel plates				
Cost (RM'000)	9,585	5,836	13,931	7,913
Volume (MT)	4,391	2,898	5,293	2,505
Average cost per MT	2,183	2,014	2,632	3,159
Steel pipes				
Cost (RM'000)	572	1,460	1,320	2,086
Volume (MT)	238	659	456	600
Average cost per MT	2,403	2,216	2,895	3,475

For FYE 2017 and FYE 2018, our purchase of steel plates and steel pipes represented 37.6% and 23.4% of our total purchases, respectively. As these steel based materials are globally traded as commodity, they are subject to the price fluctuations or volatility. As such, we are subjected to the risk of any unfavourable fluctuation in the prices of these materials, which would lead to a rise in our overall cost of production.

The global steel prices are amongst others, subject to the demand and supply condition of steel in the global market, prices of raw materials for the production of steel such as coal and iron as well as the prevailing energy costs. As such, any changes in the conditions of any of the above factors may result in a rise in our cost of production. If we are unable to pass on this increase in our cost of production to our customers, we will bear the increasing costs and this may have a material impact on our financial results.

8.1.3 The lack of long-term contracts may result in the fluctuation of our Group's performance

Our Group's sales are mainly based on purchase orders and occasionally other forms of confirmed orders via email or fax. We have not entered into any long-term contracts with our customers. The lack of long-term contracts is mainly due to the nature of our business and prevailing customer practices which is subject to our customers' specific need and requirement for the steel poles, thus frequent production specification changes.

The absence of long-term contracts may result in the fluctuation of our Group's sales and overall business performance as the orders from our customers are generally on a project-to-project basis and on an as-needed basis. While our Group continuously seeks to maintain and strengthen our existing business relationships and establish relationship with new customers to expand our clientele base, any adverse economic conditions, or slowdowns in the industries in which our customers operate, may negatively impact our sales, which will subsequently result in a decline in our financial performance.

8.1.4 We are subject to risks on the maintenance or renewal of product certifications and registrations

Our standard street light poles have been certified by SIRIM QAS International Sdn Bhd to be compliant with BS EN 40 – 5:2002. Based on this certification, our standard street light poles have been registered by JKR to be approved for use as street lighting. Please refer to Section 6.8.2 for details on these certification and registration.

Failure to renew or maintain the above certification and registration may result in us being unable to sell our standard street light poles. Standard street light poles contribute 32.2%, 28.3%, 28.5% and 20.8% of our total revenue for the FYE 2015 to 2018 respectively.

The renewal or maintenance of the above certification and registration is dependent on our ability to manufacture our standard street light poles within the required specifications. We cannot assure that in the future the relevant authorities will revoke or renew our certification and registration in a timely manner or at all.

8.1.5 Our business is exposed to sudden and unexpected equipment failures, flood or fires and burglary, which may lead to interruptions in our business operations

Our Group's manufacturing activities are dependent on various machinery and equipment that allow for shearing, bending, welding, as well as robotic cutting, amongst others. These machinery and equipment may, on occasion, be out of service because of unanticipated failures or damages sustained during normal business operations. Further, our manufacturing facilities are also subject to loss caused by unforeseen events such as floods, fires and burglary. Our assets which are prone to the burglary risk are mainly less bulky items such as steel pipes, accessories for our steel poles and office equipment.

These unexpected events may cause interruptions in, or prolonged suspension of, all or any part of our manufacturing activities. In addition, as our manufacturing activities are dependent on continuous supply of electricity, any major disruptions to the supply of electricity may result in interruptions in our manufacturing activities.

Any prolonged interruptions to our manufacturing activities will affect our production schedules and timely delivery of our products to our customers which may cause cancellation of purchase orders and may eventually impact our relationships with our customers. This could have an adverse impact on our business operations and financial performance. Further, the occurrence of unforeseen event such as floods, fire and burglary on our manufacturing facilities may result in an immediate financial loss.

We have not experienced any of the abovementioned incidences during the financial years under review. However, there can be no assurance that such incidences will not happen in the future which may result in interruptions to our manufacturing activities and adversely affect our business operation and financial performance.

8.1.6 We are subject to operating cash flow and liquidity risk

We extend credit terms to our customers whom we maintained a long term business relationship and make prompt payment to our suppliers (i.e. within the credit period granted by our supplier) as our Group's current business strategies. These strategies were adopted to ensure a good business relationship with our long term customers (by providing flexibility on payment collection) and suppliers (by making prompt payment to establish a good payment track record). We also stock up on inventories such as steel materials to ensure minimal disruption to our manufacturing operation and to limit our exposure in the increase in market prices for steel materials as a result of increase in steel market price. These strategies may require for additional working capital as it would affect our cashflows from operating activities.

The granting of more credit terms extension to our long term customers would lower the total collection from our customers. The lower collection from customers, together with our business strategies to make prompt payment to suppliers and stock up on inventories, may result in a net operating cash outflows position for our Group. Furthermore, we may also be subjected to liquidity risk if do not have the sufficient working capital to support these strategies. This could have an adverse impact on our business operations and financial performance.

Our operating cash flow for the financial years under review are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from/(used in) operating activities	4,481	(1,403)	10,213	3,966

However, there can be no assurance that we will have sufficient working capital to support these strategies in the future which may have an adverse impact on our business operations and financial performance.

8.1.7 We are subject to the risk of termination, renewal and exclusivity of authorised distributorships

Our Group are currently the authorised distributor for GRUPPE, NIKKON and OSRAM brands of outdoor lighting products. These authorised distributorships provide us with technical support from the suppliers and competitive pricing for products sourced.

The revenue contribution of the abovementioned distributorships to our Group for the financial years under review are as follows:

	% of Group's total revenue for trading segment			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
Revenue contribution	35.4	39.2	38.2	51.2

We may not be able to receive technical support or enjoy competitive pricing for the products if our suppliers decided to terminate or not to renew the authorised distributorship. We may be required to purchase the outdoor lighting products of these brands from other authorised distributors, resulting in a higher cost of sales for our trading segment. Furthermore, we may not be able to source for the said outdoor lighting products in our desired quantity and hence restricting our capability to fulfil our customers' orders.

Apart from that, our authorised distributorships with GRUPPE, NIKKON and OSRAM are not exclusive. We may face an increased level of competition in the trading activities of these brands if our supplier decided to grant new authorised distributorships to other players in the outdoor lighting product market.

These could have an adverse impact on our business operations and financial performance for our Group's trading segment.

8.1.8 We are subject to risk of foreign exchange fluctuation and changes in foreign exchange administrative rules

We derive a portion of our sales from overseas customers that are denominated in foreign currency. In the event the RM appreciates against the foreign currency between time the sales were recorded and the payments were received from the overseas customers, our Group may register a loss on foreign exchange.

As stated in our business strategies under Section 6.19, we plan to expand our geographical presence in international markets such as Brunei, New Zealand and Sri Lanka. Such expansion may increase our exposure to foreign currency fluctuation risk.

Furthermore, based on the supplementary notice on Foreign Exchange Administration Rules published by Bank Negara Malaysia on 17 August 2018, exporters are only allowed to keep a maximum of 25.0% of its foreign currency proceed in its trade foreign currency account while the balance of the foreign currency proceed shall be converted into RM. There can be no assurance that any changes to the foreign exchange administrative rules by Bank Negara Malaysia or other relevant authority from time to time will not increase our exposure to foreign currency fluctuation risk.

We have not recorded any loss on foreign exchange during the financial years under review. However, there can be no assurance that there will not be any material fluctuation in foreign exchange in the future that could result in us recording a material loss on foreign exchange and adversely affect our financial performance.

8.1.9 We are dependent on our Promoters, key senior management and executive directors of our subsidiaries for continued success and the loss of their continued services may affect our business

Our business performance and prospects depend significantly on the abilities, skills, experience, competency and continuous efforts of our existing Directors and key senior management. Our Promoters who are also our Managing Director and Executive Director each has more than 19 years of experience in the street lighting industry and have extensive knowledge and insights on the industry. Together with our key senior management, they have built good business relationships with our customers and suppliers. Further, our business operations of Meslite and Max Lighting are spearheaded by Pee Kok Keong and Lee Yong Kong, who are the executive directors of Meslite and Max Lighting, respectively. Both of them possessed over 20 years of working experience in the manufacturing of decorative light poles and trading of outdoor lighting products.

The loss of our Promoters or any of our key senior management and executive director of our subsidiaries simultaneously or within a short span of time without suitable and timely replacement, or our inability to attract and retain qualified and competent personnel or our inability to integrate new personnel, could materially and adversely affect our business operation and financial performance. In addition, the loss of any of our Promoters or key senior management and executive director of our subsidiaries may lead to a cessation of business relationship with our customers.

8.1.10 We may be subject to warranty claims and product liability for product defects

For the steel pole products that we manufacture, we typically provide a warranty against manufacturing defects for a period of 1 year. If there is a manufacturing defect during the warranty period, our customers may require us to replace the defective products and bear the re-installation cost (for defective poles that already have been installed). We are also liable for any damages caused by defective poles that have already been installed.

Any substantial increase in warranty claims and product liability against our products will have an adverse impact on our business and operating results. We have not recorded any material warranty claims or product liability during the financial years under review. However, there is no assurance that there will be no material claims in the future.

8.1.11 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.

Our Group currently has the following insurance policy:

(i) fire insurance policy with a sum insured amounting to RM8.60 million that covers our Main Manufacturing Facility as well as the machinery and equipment and stock located within the facility;

(ii) burglary insurance policy with a sum insured amounting to RM0.05 million that covers the office equipment of our Main Manufacturing Facility;

(iii) fire insurance policy with a sum insured amounting to RM0.52 million that covers Meslite's Factory; and

(iv) burglary insurance policy with a sum insured amounting to RM0.01 million that covers the office equipment in Meslite's Factory.

However, our insurance may not be adequate to cover all losses or liabilities that may be incurred in our business operations. For example, while we are insured against losses resulting from fires and burglary, we do not maintain insurance against losses because of natural disasters. Furthermore, Meslite's Factory currently does not comply with its approved building plan (in terms of the setback requirement of 10 feet). We may not be entitled for insurance claims in the event of a fire, pending the implementation of the rectification plan as disclosed in Section 6.17.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of a similar type and/or amount desired at reasonable rates. If we were to incur a significant liability for which we are not fully insured, it could have a material adverse effect on our business operations and financial performance.

8.1.12 Our expansion will result in higher operating costs as well as depreciation charges, and we cannot guarantee that our business will grow as planned

We have allocated RM13.00 million from our Public Issue proceeds to finance the capital expenditure for the planned expansion of our Main Manufacturing Facility. Please refer to Section 4.8.1(a) for details of our proposed capital expenditure from the Public Issue proceeds.

Following our expansion plan, additional operating costs as well as depreciation charges will be incurred. If our Group fails to generate sufficient revenue to cover such additional costs and effectively grow our business, our financial performance may be adversely affected.

8.1.13 Our financial performance may be affected by adverse changes in interest rates

Our outstanding borrowings as at 31 December 2018 amounted to approximately RM17.62 million, comprising mainly term loans, finance lease liabilities and bankers' acceptance. This translates to a gearing level of 0.48 times, based on our pro forma shareholders' equity before our Public Issue of RM36.42 million. Assuming our Public Issue and utilisation of proceeds had been completed on 31 December 2018, our pro forma gearing would be reduced to 0.23 times.

In view that interest charged on the bank borrowings is dependent on prevailing interest rates, any significant increase in interest rates will significantly increase our interest expense and hence will have a material adverse effect on our profitability. In addition, the agreements for credit facilities may contain covenants which may limit our future operating and financing flexibility such as restrictions in future borrowings, creation of new securities and disposal of its capital assets. A breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facility.

There can be no assurance that our performance would remain favourable if there is any breach in agreements for credit facility, resulting in a termination and/or enforcement of securities.

8.1.14 We may be subject to the risk of raw material defects

We purchase raw materials such as steel plates and steel pipes from third party suppliers for our manufacturing operations. We visually inspect the raw materials upon receipt of the materials procured, and do not accept these raw materials in the case there are surface defects (such as dents and scratches) and the raw materials delivered are not in accordance to the specifications we ordered (in terms of volume, length and dimensions). However, our visual inspection of raw materials may not be able to detect defects such as uneven surfaces. In addition, it may also be difficult to ascertain, at times, if any damage was done before or after the materials are delivered to our premise.

As such, in the event there are defected steel materials, and we are unable to replace these materials, we might not be able to utilise the said steel materials for the original intended use and we may need to repurchase the steel materials. This may result in a higher cost of sales and may interrupt our manufacturing operations.

Furthermore, if we are unable to find alternative use for the steel materials with physical defects, we may need to provide for allowance of obsolete inventories that may impact our overall financial performance.

The allowance of obsolete inventories provided by us for the financial years under review are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Allowance for obsolete inventories	-	-	245	-
Reversal of allowance for obsolete inventories	-	-	-	(245)

The allowance of obsolete inventories recorded in FYE 2017 relates to the defected steel plates with uneven surface that we purchased from one of our supplier. The said allowance for obsolete inventories was reversed in FYE 2018 as we found other usage for these steel plates by cutting it into smaller pieces to be used as services door and adjoining part of smaller steel poles.

8.2 RISK RELATING TO OUR INDUSTRY

8.2.1 We rely on foreign workers in our operations

We rely on foreign workers in our business operations. As at the LPD, we have a total workforce of 160 employees, out of which 85 or 53.1% are foreign workers. Our foreign workers are primarily from Myanmar and Vietnam.

As the standard of living in Malaysia improves over time, we have found it increasingly difficult to hire local production workers for our manufacturing operations and this difficulty may increase in the future. In addition, the costs of foreign labour may continue to increase in the future. Besides, any increase in levy rate for foreign workers will increase our cost for labour which consequently may increase our cost of sales and decrease our profit margins if we are unable to pass such cost increases to our customers.

Currently, we obtain 1-year working permits for our foreign workers, which are renewed annually. In the case of any changes to visa policies for foreign workers in Malaysia, we may face difficulties to maintain sufficient foreign labour workforce, which would have a material and adverse effect on our business operation and financial condition.

8.2.2 We are exposed to inherent risks in the construction industry

Our products are normally used in the infrastructure, residential and commercial construction sub-sectors. In general, the construction industry is largely influenced by several factors such as inflation, political stability as well as demand and supply factors for new public facilities. Any downturn in the construction industry whether in Malaysia or other markets in which we operate may have an adverse effect on our performance.

Any slowdown in the construction industry may lead to a decrease in demand for steel poles. This would negatively affect the overall demand for our Group's products, thereby affecting our Group's financial performance.

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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 several 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 after our Listing or that an active market for our Shares will develop and continue upon or after our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by several factors including, amongst others, the depth and liquidity of the market for our Shares, investors' 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:

(a) The identified investors fail to subscribe for the portion of our IPO Shares;

(b) Our Underwriter in exercising its rights pursuant to the Underwriting Agreement discharges itself from its obligations therein; and

(c) 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 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 (c) 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.

If 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.

8.3.3 The trading price and volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares could be subjected 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 business 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 of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our listed shares.

8.3.4 Our ability to pay dividend on our Shares is dependent on the flow of dividends from our subsidiaries

Our Company is an investment holding company and we conduct substantially all of our operations through our subsidiaries. Accordingly, our income will be derived mainly from dividends received from our subsidiaries. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiaries. The ability of our subsidiaries to pay dividends to us will be depend upon their financial performance and availability of their distributable reserves, capital requirements for their operational needs and debt servicing commitment.

There can be no assurance that we would be able to pay future dividends on our Shares, as a result of the factors stated above. Furthermore, if we do not pay dividends or pay dividends at level lower than that anticipated by investors, the trading price of our Shares may be negatively affected and the value of any investment in our Shares might be reduced.

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8.4 OTHER RISKS

8.4.1 Our future fund-raising exercise may result in dilution of shareholdings

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our product offering. Thus, we may need additional capital expenditure for future expansions and/or investments. An issue of new Shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investment by shareholders.

8.4.2 Forward-looking/prospective statements in this Prospectus may not be achievable

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable. Whether such statements would ultimately prove to be accurate depends upon a variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements.

Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will prove to be correct in the future. Any deviation from the expectations may have a material adverse effect on our business and financial performance.

The above is not an exhaustive list of challenges we are currently facing or that may develop in the future. Additional risks whether known or unknown, may in the future have a material adverse effect on us and/or our Shares.

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9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS

9.1 RELATED PARTY TRANSACTIONS AND OTHER TRANSACTIONS

9.1.1 Related party transactions

Save as disclosed below, there was no transaction, existing and/or potential, entered or to be entered by our Group during FYE 2015 to 2018 which involve the interests, direct or indirect, of our Directors, substantial shareholders, and/or persons connected with them:

(a) During FYE 2015, Mestron Engineering disposed 2 motor vehicles to our Promoters, as follows:

Promoters	Cash consideration RM'000	NBV as at 31 December 2015 RM'000	Gain / (Loss) on disposal RM'000
Por Teong Eng	100	64	36
Loon Chin Seng	200	77	123
Total	**300**	**141**	**159**
Percentage to the Group's NA as at 31 December 2015	*2.2%*		

The cash consideration was based on the prevailing market value of the motor vehicles.

(b) Acquisition of 70.0% equity interest in Max Lighting and 60.0% equity interest in Meslite by Mestron Engineering which was completed on 16 March 2018 and 3 April 2018 for a cash consideration of RM140,000 and RM300,000 respectively, as part of its internal reorganisation exercise. Mestron Engineering acquired the equity interest in Max Lighting and Meslite from the following vendors based on the companies' respective share capital:

	Max Lighting		Meslite	
Vendor	**Equity interest %**	**Amount RM**	**Equity interest %**	**Amount RM**
Por Teong Eng	-	-	30.0	150,000
Loon Chin Seng	40.0	80,000	30.0	150,000
Lee Chun Heng (1)	10.0	20,000	-	-
Loon Chin Meng (2)	20.0	40,000	-	-
Total	**70.0**	**140,000**	**60.0**	**300,000**
Percentage to the Group's NA (3)		*0.4%*		0.8%

Notes:

(1) Lee Chun Heng is the Head of Sales and Marketing of our Group.
(2) Loon Chin Meng is the brother of our Executive Director, Loon Chin Seng.
(3) Based on our Group's NA as at 31 December 2018.

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS *(Cont'd)*

(c) 2 sale and purchase agreements dated 4 June 2018 in relation to the disposal of the following properties by Mestron Engineering to our Promoters:

Properties	Consideration RM'000	%[1]	NBV as at 30 June 2018 RM'000	Gain/ (Loss) on disposal RM'000
Agricultural Land A [2][3]	690	1.9	732	(42)
Agricultural Land B [2][3]	760	2.1	747	13

Notes:

[1] Calculated based on our Group's NA as at 31 December 2018.
[2] With a single storey hostel building erected.
[3] Jointly acquired by our Promoters for equal percentage of ownership.

The said lands were disposed on 7 November 2018 as we have no immediate plan to utilise the lands and we are not able to utilise the lands for our business operations as the land use is currently restricted solely to agricultural activities.

The cash consideration was arrived at based on the prevailing market price and has been fully satisfied on 1 October 2018.

Save as disclosed below and the Acquisition of Mestron Engineering as set out in Section 6.2, subsequent to 31 December 2018 and up to the LPD, there was no transaction, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them:

(a) Acquisition of 40.0% equity interest in Meslite and 30.0% equity interest in Max Lighting by Mestron Engineering which was completed on 25 April 2019 for a cash consideration of RM134,907 and RM358,320 respectively. Mestron Engineering acquired the equity interest in Max Lighting and Meslite from the following vendors based on the companies' respective share capital:

Vendor	Max Lighting		Meslite	
	Equity interest %	Amount RM	Equity interest %	Amount RM
Pee Kok Keong [1]	-	-	40.0	358,320
Lee Yong Kong [2]	30.0	134,907	-	-
Total	**30.0**	**134,907**	**40.0**	**358,320**
Percentage to the Group's NA [3]		*0.4%*		1.0%

Notes:

[1] Pee Kok Keong is the Director of Meslite.
[2] Lee Yong Kong is the Director of Max Lighting.
[3] Based on our Group's NA as at 31 December 2018.

The above transactions have been carried out on an arm's length basis.

Moving forward, we have established the following procedures for all related party transactions to ensure the transactions (if any) are undertaken on arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the public:

(a) We will procure for at least 2 other quotations from third parties for identical products and/or services as comparison, wherever possible, to determine whether the price and terms offered for any products and/or services by the related parties are fair, reasonable and similar to those offered by third parties; or

(b) If quotation from third parties for the identical products and/or services cannot be obtained, the transaction price will be determined by our Group based on terms offered by third parties for substantially similar type of products and/or services to ensure that the related party transactions are fair and reasonable.

To mitigate any potential conflict of interest, our Board shall seek the approval from our non-interested shareholders for a mandate to enter into such transactions at the general meeting of our Company.

In the event there are any proposed related party transactions that require the 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 transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Nomination 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.

9.1.2 Other transactions

(a) Transactions that are unusual in their nature or conditions

Our Directors have confirmed that there were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries were a party to for the past 4 FYE 2015 to 2018.

(b) Outstanding loans (including guarantees of any kind)

Save as disclosed below, there were no outstanding loans (including guarantees of any kind) made to/by us to or for the benefit of any related party for the past 4 FYE 2015 to 2018:

9. RELATED PARTY TRANSACTIONS / CONFLICT OF INTERESTS *(Cont'd)*

(i) Amount due from Directors

The following non-trade related party balances were recorded as other receivables for the past 4 FYE 2015 to 2018:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due from Director				
- Por Teong Eng	55	166	179	-
- Pee Kok Keong[(1)]	-	114	104	-
Total	**55**	**280**	**283**	**-**

These amounts relate to the advances extended by Meslite to Por Teong Eng and Pee Kok Keong (Director and shareholder of Meslite) for personal use. The advances are unsecured, payable on demand, do not carry any interest and were made in accordance to the Act. As at the LPD, this amount due from Director has been settled in full.

(ii) Amount due to Directors

The following non-trade related party balances were recorded as current liabilities for the past 4 FYE 2015 to 2018:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current liabilities				
Amount due to Directors	2,959	2,899	1,799	15

These amounts relate to advances made and payment on behalf by our Promoters (who are also directors of Mestron Engineering) to Mestron Engineering for working capital requirement. These amounts are unsecured, payable on demand, do not carry any interest, and were classified as a short term obligation. As at the LPD, the amount due to Directors is approximately RM0.02 million.

(iii) Guarantees

Our Promoters and Pee Kok Keong, Director of Meslite, had extended guarantees for banking facilities extended to our Group as at 31 December 2018. We will apply to the respective financial institutions to discharge the said guarantees after the Listing.

These non-trade related party balances under item (i) and (ii) above are denominated in RM and were not made on an arm's length basis as it does not carry any interest.

Moving forward, our Group will not provide any non-trade related advances to our Directors.

(c) Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

(i) Agreement dated 4 April 2018 between Mestron Engineering and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and

(ii) Underwriting agreement dated 30 April 2019 entered between our Company and M&A Securities for the underwriting of 48,250,000 Issue Shares.

9.2 CONFLICTS OF INTEREST

9.2.1 Interest in similar business and in businesses of our customers and our suppliers

As at the LPD, 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 the customers and/or suppliers of our Group.

To mitigate any possible conflict of interest situation, 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. Further details on steps that our Nomination Committee will take if such Director's involvement gives rise to a potential conflict of interest with our Group's business are set out in Section 5.2.3.

9.2.2 Declarations of conflict of interests by our advisers

(a) 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;

(b) Ben & Partners 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;

(c) Grant Thornton Malaysia 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

(d) PROVIDENCE 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.

10. FINANCIAL INFORMATION

10.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 18 May 2018 to facilitate the Listing. The historical financial information of our Group for FYE 2015 to 2018 is therefore presented based on the historical audited combined financial statements of our Group.

The historical audited combined financial statements throughout FYE 2015 to 2018 have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our financial position, results and cash flows.

10.1.1 Historical audited 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 FYE 2015 to 2018 which have been extracted from the Accountants' Report in Section 11. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 10.2 and the Accountants' Report set out in Section 11.

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	40,540	44,374	60,747	63,680
Cost of sales	(34,163)	(31,947)	(40,552)	(42,768)
GP	**6,377**	**12,427**	**20,195**	**20,912**
Other operating income	833	492	397	628
Selling and distribution expenses	(428)	(584)	(868)	(936)
Administrative expenses	(4,115)	(4,725)	(6,684)	(7,059)
Other operating expenses	(53)	(55)	(638)	(270)
Finance costs	(247)	(394)	(902)	(1,072)
PBT	**2,367**	**7,161**	**11,500**	**12,202**
Tax expense	(191)	(1,881)	(2,962)	(2,896)
PAT	**2,176**	**5,280**	**8,538**	**9,307**
Other comprehensive income	-	-	-	-
Total comprehensive income	**2,176**	**5,280**	**8,538**	**9,307**
EBIT (1)	2,611	7,549	12,381	13,275
EBITDA (1)	3,367	8,711	13,785	14,763
GP margin (%)	15.7	28.0	33.2	32.8
EBITDA margin (%)	8.3	19.6	22.7	23.2
PBT margin (%)(2)	5.8	16.1	18.9	19.2
PAT margin (%)(3)	5.4	11.9	14.1	14.6
Basic EPS (sen) (4)	0.34	0.84	1.35	1.47
Diluted EPS (sen) (5)	0.28	0.67	1.08	1.18

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
PAT	2,176	5,280	8,538	9,307
Less:				
Interest income	(3)	(6)	(21)	-
Add:				
Finance costs	247	394	902	1,072
Taxation	191	1,881	2,962	2,896
EBIT	**2,611**	**7,549**	**12,381**	**13,275**
Add:				
Depreciation and amortisation	756	1,162	1,404	1,488
EBITDA	**3,367**	**8,711**	**13,785**	**14,763**

(2) Calculated based on PBT divided by revenue.

(3) Calculated based on PAT divided by revenue.

(4) Calculated based on PAT divided by share capital of 632,000,000 Shares before the IPO.

(5) Calculated based on PAT divided by share capital of 790,000,000 Shares after the IPO.

10.1.2 Historical audited combined statements of financial position

The following table sets out the historical audited combined statements of financial position of our Group as at 31 December 2015, 2016, 2017 and 2018, which have been extracted from the Accountants' Report set out in Section 11. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 10.2 and the Accountants' Report set out in Section 11.

	Audited			
	As at 31 December			
	2015	**2016**	**2017**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Non-current assets				
Property, plant and equipment	15,972	19,175	29,420	23,136
Investment properties	-	-	-	1,355
Total non-current assets	**15,972**	**19,175**	**29,420**	**24,491**
Current assets				
Inventories	1,981	2,596	9,035	9,707
Trade receivables	11,491	16,910	18,273	22,545
Other receivables	965	3,923	1,937	3,016
Tax recoverable	706	42	37	52
Cash and bank balances	1,034	2,170	5,333	3,931
Total current assets	**16,177**	**25,641**	**34,615**	**39,251**
Asset held-for-sale	-	-	-	4,377
TOTAL ASSETS	**32,149**	**44,816**	**64,035**	**68,119**

10. FINANCIAL INFORMATION *(Cont'd)*

	Audited			
	As at 31 December			
	2015	2016	2017	2018
	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES				
Share capital	2,600	3,200	3,200	3,200
Retained earnings	11,006	16,287	24,324	33,631
Total equity	**13,606**	**19,487**	**27,524**	**36,831**
LIABILITIES				
Non-current liabilities				
Borrowings	4,087	9,175	15,374	14,934
Finance lease liabilities	569	1,222	1,089	752
Deferred tax liabilities	160	469	291	298
Total non-current liabilities	**4,816**	**10,866**	**16,754**	**15,984**
Current liabilities				
Trade payables	7,349	9,193	12,367	11,287
Other payables and accruals	2,641	269	1,008	1,945
Amount due to Directors	2,959	2,899	1,799	15
Borrowings	436	1,110	1,652	1,140
Finance lease liabilities	321	663	635	797
Dividend payable	-	-	500	-
Tax payable	21	329	1,796	120
Total current liabilities	**13,727**	**14,463**	**19,757**	**15,304**
TOTAL LIABILITIES	**18,543**	**25,329**	**36,511**	**31,288**
TOTAL EQUITY AND LIABILITIES	**32,149**	**44,816**	**64,035**	**68,119**

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10.1.3 Historical audited combined statements of cash flows

The following table sets out the audited combined statements of cash flows for FYE 2015 to 2018, which have been extracted from the Accountants' Report set out in Section 11. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out in Section 10.2 and the Accountants' Report set out in Section 11.

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating				
Profit before tax	**2,367**	**7,161**	**11,500**	**12,203**
Adjustment for:				
Allowance for obsolete inventories	-	-	245	-
Impairment loss on receivables	-	-	385	126
Amortisation of investment property	-	-	-	18
Bad debts recovered	(22)	(7)	-	-
Bad debts written off	16	44	-	39
Depreciation of property, plant and equipment	756	1,162	1,404	1,470
Interest expenses	247	394	902	1,072
Interest income	(3)	(6)	(21)	-
Gain on disposal of property, plant and equipment	(408)	-	(22)	(51)
Reversal of impairment loss on receivables	(56)	(44)	-	(257)
Reversal of allowance for obsolete inventories	-	-	-	(245)
Operating profit before working capital changes	**2,897**	**8,704**	**14,393**	**14,375**
Changes in working capital:				
Inventories	(180)	(615)	(6,683)	(427)
Receivables	(1,900)	(8,363)	259	(5,259)
Payables	4,526	(529)	3,924	(142)
Cash generated from/(used in) operations	**5,343**	**(803)**	**11,893**	**8,547**
Tax paid	(913)	(992)	(1,809)	(4,608)
Tax refunded	50	392	129	27
Net cash from/(used in) operating activities	**4,481**	**(1,403)**	**10,213**	**3,966**
Cash flow for investing activities				
Purchase of property, plant and equipment	(7,144)	(2,909)	(11,108)	(1,785)
Proceeds from disposal of property, plant and equipment	3,616	-	22	1,619
Net cash used in investing activities	**(3,528)**	**(2,909)**	**(11,086)**	**(166)**

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flow for financing activities				
Repayment of finance lease liabilities	(234)	(460)	(703)	(892)
Dividend paid	-	-	-	(500)
Advances from/(Repayment to) Directors	317	(60)	(1,100)	(1,785)
Drawdown of borrowings	1,914	8,061	7,940	5,089
Repayment of borrowings	(3,383)	(2,299)	(1,199)	(6,042)
Interest paid	(247)	(394)	(902)	(1,072)
Issuance of shares	1,500	600	-	*
Net cash (used in)/from financing activities	**(133)**	**5,448**	**4,036**	**(5,202)**
Cash and cash equivalents				
Net change	**820**	**1,136**	**3,163**	**(1,402)**
At the beginning of the financial years	214	1,034	2,170	5,333
At the end of the financial years	**1,034**	**2,170**	**5,333**	**3,931**

Note:

* Negligible, relates to the initial issuance of 2 Shares for RM2 on the incorporation of Mestron Holdings on 18 May 2018

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10.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and segmental analysis of our audited results for FYE 2015 to 2018 should be read in conjunction with the Accountants' Report included in Section 11.

10.2.1 Overview of our operations

(a) Principal activities

Our Group is principally engaged in the following business segments:

(i) Manufacturing of steel poles comprising standard street light pole, decorative light pole and specialty poles; and

(ii) Trading of outdoor lighting products.

Please refer to Section 6 for detailed information on our business segments.

(b) Revenue

Our revenue was derived from the sale of goods namely, steel poles and outdoor lighting products.

Revenue from sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised upon delivery of goods and customer acceptance, if any, when the significant risks and rewards of ownership of the goods has been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. As such, our revenue is only recognised upon the order delivery and issuance of a delivery order to our customer.

(c) Cost of sales

The cost of sales attributable to the manufacturing segment comprise raw materials (such as steel plates and pipes) and supplies (such as foundation bolts and nuts, junction boxes and concrete footing), direct labour and other direct costs (such as anti-corrosive galvanising and powder coating costs, operation and maintenance costs, rentals for machinery and equipment, transportation costs and customs duties).

Meanwhile, the cost of sales attributable to the trading segment comprises supplies of outdoor lighting products.

(d) Other operating income

Other operating income includes realised gains on foreign currency exchange, gains on disposal of property, plant and equipment, reversal of allowance for doubtful debts, bad debts recovered, interest income and miscellaneous income.

(e) Selling and distribution expenses

Selling and distribution expenses comprise costs directly attributable to the marketing and sales functions. The key cost components include sales commissions, travelling expenses and marketing expenses.

(f) Administrative expenses

Administrative expenses comprise overheads incurred to maintain the overall operations for our Group. The key cost components include staff costs, repair and maintenance costs, administrative expenses and professional fees.

(g) Other operating expenses

Other operating expenses relate to expenses incurred which are not directly related to operating activities such as allowance for doubtful debts, allowance for obsolete inventories and other miscellaneous expenses.

(h) Finance costs

Finance costs comprise mainly the interest expenses on borrowings of our Group.

(i) Recent developments

There were no significant events subsequent to our audited combined financial statements for FYE 2018.

(j) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2015 to 2018. In addition, our audited financial statements for the financial years under review were not subject to any audit qualifications.

(k) Significant factors affecting our business

Section 8 details a number of risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect revenues and profits include but are not limited to the following:

(i) Exposure to fluctuations in the global steel prices

The price of our raw materials fluctuates according to global steel prices, which are subject to the demand and supply conditions of steel in the global market, prices of raw materials for the production of steel such as coal and iron and prevailing energy costs.

Any increase in the global steel prices and price of our raw materials will increase our cost of sales which may affect our profitability, as well as our carrying cost for maintaining our inventories.

(ii) Lack of long-term contracts

Our sales are mainly derived from purchase orders and occasionally other forms of confirmed orders due to the nature of our business and prevailing customers' practices. Any adverse economic conditions, or slowdowns in the industries in which our customer operate in, may negatively impact our sales.

(iii) Products certifications and registration

Our standard street light pole is one of the key revenue contributors of our Group, contributing 20.8% to 32.2% of our Group's total revenue for the financial years under review.

Our standard street light poles have been certified by SIRIM QAS International Sdn Bhd to be compliant with BS EN 40 – 5:2002 which is the standard required by JKR for street light poles to be used on public roads. If we fail to renew or maintain the certification and registration, our standard street light poles will not be allowed to be used on public roads, which will then materially and adversely affect our financial performance.

(iv) Interruptions in our business operations

Our manufacturing activities are heavily dependent on our machinery and equipment such as press brake machine, cutting machine, profiling machine and welding machine, amongst others. These machinery and equipment may, on occasion, be out of service as a result of unanticipated maintenance required and failures or damages sustained during operations. Further, our manufacturing plant is also subject to unexpected events such as electricity outage, floods and fires.

Any prolonged interruptions in our business operations due to the above, will result in delay in our production schedules and timely delivery of our products to our customers, which will then materially and adversely affect our financial performance.

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10.2.2 Review of operations

(a) Revenue

Our revenue for the financial years under review was derived from the sale of products under both our manufacturing and trading segments. Our customers typically include M&E contractors, property development companies, electrical product distributors as well as specialised contractors in the telecommunication, oil and gas, and mining industries.

Our sales are mainly derived locally and denominated in RM, while our sales derived from overseas markets are denominated in AUD, SGD, USD, NZD and BND. For the financial years under review, our local sales amounted to 83.1% to 92.7% of our total revenue.

The revenue segmentation of our Group by business segment and geographical locations for financial years under review, are set out below:

(i) Analysis of revenue by business segments

The following table sets out our revenue by business segments for the financial years under review:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing								
Standard street light poles	13,068	32.2	12,541	28.3	17,313	28.5	13,276	20.8
Decorative light poles	9,503	23.4	9,757	22.0	12,830	21.1	14,565	22.9
Specialty poles	7,277	18.0	9,777	22.0	9,908	16.3	13,292	20.9
Sub-total	**29,848**	**73.6**	**32,075**	**72.3**	**40,051**	**65.9**	**41,133**	**64.6**
Trading								
Outdoor lighting products	10,692	26.4	12,299	27.7	20,696	34.1	22,547	35.4
Total	**40,540**	**100.0**	**44,374**	**100.0**	**60,747**	**100.0**	**63,680**	**100.0**

Our revenue was mainly derived from the manufacturing segment, representing between 64.6% to 73.6% of our total revenue for the financial years under review. Our two largest product sub-segments under the manufacturing segment are standard street light poles and decorative light poles.

Our revenue increased from RM40.54 million in FYE 2015 to RM63.68 million in FYE 2018 despite the decrease in revenue from standard street light poles from RM17.31 million in FYE 2017 to RM13.28 million in FYE 2018. The decrease in revenue from standard street light poles was due to lower demand resulting from the slowdown in construction of township development projects and infrastructure projects during the FYE 2018.

Our revenues from the manufacturing and trading segment in the financial years under review were mainly driven by:

- continuous Government expenditure on constructing infrastructure such as roads and highways, as highlighted in Section 7 of this Prospectus, which had in turn driven demand for standard street light poles and outdoor lighting products. According to the IMR report, expenditure on road infrastructure in Malaysia grew from USD2.7 billion (RM10.5 billion) in 2015 to USD3.3 billion (RM14.2 billion) in 2017;

- township developments which had created demand for street lighting, particularly standard and decorative street light poles as well as outdoor lighting products;
- continuous need for replacement of existing street light poles and outdoor lighting products;
- our track record and manufacturing capabilities in offering street light poles that are able to meet customers' requirements and comply with the relevant requirements by JKR.
- our capabilities in manufacturing large poles, i.e. poles of up to 50 meters in height such as telecommunication monopoles and high mast poles, which fetch a higher sales value; and
- the growing need for telecommunication infrastructure, thus leading to an increasing need for telecommunication monopoles. According to the IMR report, broadband penetration rate in Malaysia grew from 99.7% in 2015 to 121.1% in 2018. The growth in broadband penetration indicates growth in demand for telecommunication infrastructure, including telecommunication monopoles.

The average revenue/unit for each of our product segments for the financial years under review are as follows:

	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	Units	Average RM per unit	Units	Average RM per unit	Units	Average RM per unit	Units	Average RM per unit
Manufacturing								
Standard street light poles	16,325	800	15,615	803	19,345	895	14,814	896
Decorative light poles	4,992	1,904	5,564	1,754	7,143	1,796	7,962	1,829
Specialty poles	12,135	597	17,865	547	17,147	578	15,042	884
Trading								
Outdoor lighting products	8,888	1,203	7,717	1,594	10,664	1,941	7,296	3,090

The average revenue/unit for our standard street light poles remained between RM800 and RM896 during the financial years under review. Standard street light poles generally have less product differentiation and as such, the average selling price for standard street light poles are dependent on the average selling price by industry players for the similar products. However, significant increases in raw materials may result in an increase in selling prices of standard street light poles by industry players to pass on their exposure to higher steel prices to their customers.

Meanwhile, the average revenue/unit of our decorative light poles and specialty poles fluctuates for the financial years under review as the pricing these poles were determined and negotiated on a case-to-case basis. Pricing of these poles are dependent on factors such as:

- volume of order; and/or
- customisation requirements (size, material, design and height)

The average revenue/unit for outdoor lighting products have been increasing on a year-on-year basis mainly due to a growing demand for light-emitting diode ("LED") outdoor lighting products as well as outdoor lighting products with higher wattage. All of these products had higher specifications (i.e. energy efficiency level, durability, brightness and useful life) and quality as compared to the conventional high intensity discharge ("HID") outdoor lighting products and thus, fetch higher sales value.

(ii) Analysis of revenue by geographical locations

The breakdown of our revenue by geographical locations is as follows:

	Audited							
	FYE 2015		**FYE 2016**		**FYE 2017**		**FYE 2018**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Local								
Malaysia	34,991	86.3	36,857	83.1	56,325	92.7	58,999	92.7
Overseas								
Australia	3,666	9.1	3,735	8.4	2,083	3.4	1,171	1.8
Singapore	1,836	4.5	2,696	6.1	1,234	2.1	628	1.0
Korea	-	-	750	1.7	459	0.8	2,282	3.6
Others [(1)]	47	0.1	336	0.7	646	1.0	600	0.9
Sub-total	**5,549**	**13.7**	**7,517**	**16.9**	**4,422**	**7.3**	**4,681**	**7.3**
Total	**40,540**	**100.0**	**44,374**	**100.0**	**60,747**	**100.0**	**63,680**	**100.0**

Note:

(1) Include Brunei, Myanmar, New Zealand, Sri Lanka and Maldives.

Our revenue from the local market contributed approximately 83.1% to 92.7% of our total revenue for the financial years under review while our total revenue from the overseas market accounted for approximately 7.3% to 16.9% of our total revenue for said period. We sold our steel poles as well as outdoor lighting products to a total of 1,291 local customers and 25 overseas customers during the financial years under review, out of which 811 customers are recurring customers (i.e. customers that have multiple purchases with us). Among the 811 recurring customers, 651 customers are active customers (i.e. customers that we sold our products to during FYE 2018).

Our revenue from each geographical location changes from year to year due to the level of demand and orders received from existing and new customers during the financial years under review.

(iii) Commentary on revenue

Comparison between FYE 2015 and FYE 2016

In FYE 2016, our Group recorded an overall increase in revenue of RM3.83 million or 9.4% from RM40.54 million in FYE 2015 to RM44.37 million in FYE 2016. This increase in revenue was due to the revenue growth in both manufacturing and trading segments.

Manufacturing

Our revenue from the manufacturing segment increased by RM2.23 million or 7.5%, from RM29.85 million in FYE 2015 to RM32.08 million in FYE 2016. The increase was mainly due to the following:

- increase in revenue generated from specialty poles of RM2.50 million or 34.3%, as a result of higher volume of specialty poles sold to both existing and newly secured customers comprising specialised contractors in the telecommunication and oil and gas sectors in Malaysia and overseas. Our total units of specialty poles sold increased by 47.2% as we managed to take on more orders of specialty poles, as a result of our in-house capabilities in manufacturing large poles sections of up to 12 meters following our relocation to our Main Manufacturing Facility and purchase of new machinery to undertake the manufacturing of pole section of up to 12 meters in April 2016 and July 2016 respectively; and

- increase in revenue generated from decorative light poles of RM0.26 million or 2.7% due to higher volume of decorative light poles sold for several key residential township developments including Eco Majestic and Setia Ecohill. Our total units of decorative light poles sold increased by 11.5% between FYE 2015 and FYE 2016.

The increase in revenue generated from the sale of specialty poles and decorative light poles was partially offset by the decrease in revenue generated from the sale of standard street light poles as a result of lower volume of standard street light poles sold while the average selling price of standard street light poles remained consistent. Our total units of standard street light poles sold decreased by 4.3% between FYE 2015 and FYE 2016.

Trading

Our revenue from trading segment increased from RM10.69 million in FYE 2015 to RM12.30 million in FYE 2016, representing an increase of RM1.61 million or 15.1%, despite lower volume of outdoor lighting products sold during the year. This increase was contributed by the increase in our average selling price per units of RM391 or 32.5%, resulting from the shift in our customer's demand trend towards products with higher specifications and quality which include LED outdoor lighting products and outdoor lighting products with higher wattage, which are higher in sales value.

Comparison between FYE 2016 and FYE 2017

In FYE 2017, we recorded an overall increase in revenue of RM16.38 million or 36.9% from RM44.37 million in FYE 2016 to RM60.75 million in FYE 2017. The increase was due to the increase in revenue generated from both manufacturing and trading segments.

Manufacturing

Our revenue from manufacturing segment increased by RM7.97 million or 24.9% from RM32.07 million in FYE 2016 to RM40.05 million in FYE 2017. The increase was mainly due to the following:

- increase in revenue generated from standard street light poles of RM4.77 million or 38.0% as a result of the following:

- higher volume of standard street light poles sold due to increased demand from highway projects such as East Klang Valley Expressway and Coastal Highway Southern Link, new residential township developments such as Eco Summer, Eco Spring and Hill Park Town, as well as major infrastructure projects such as the construction of MRT and LRT lines; and

- higher average selling price of standard street light poles of RM895 as compared to RM803 in FYE 2016 as we managed to pass on our exposure to higher steel prices to our customers. The average cost of steel plates and pipes increased from RM2,014 per MT and RM2,215 per MT in FYE 2016, to RM2,632 per MT and RM2,895 per MT in FYE 2017.

- increase in revenue generated from decorative light poles of RM3.07 million or 31.5% during the financial year. This was contributed by the higher volume of decorative poles sold for several residential township developments including Eco Summer, Eco Spring and Hill Park Town. The number of decorative light poles sold increased by 28.4% between FYE 2016 and FYE 2017.

Trading

Our revenue from the trading segment increased by RM8.40 million or 68.3%, from RM12.30 million in FYE 2016 to RM20.70 million in FYE 2017. This increase was mainly due to the following:

- increase in number of outdoor lighting products sold as we bundled it with the sales of our steel poles. Bundling refers to the sale of our outdoor lighting products with steel poles. Bundling does not entail any product discounts and thus does not have any financial impact to our Group; and

- higher average selling price for outdoor lighting products, from RM1,594 per unit in FYE 2016 to RM1,941 per unit in FYE 2017. This is largely resulting from the shift in our customer's demand trend towards products with higher specifications and quality which include LED outdoor lighting products and outdoor lighting products with higher wattage, which fetch higher sales value.

Comparison between FYE 2017 and FYE 2018

In FYE 2018, our revenue recorded an overall increase of RM2.93 million or 4.8% from RM60.75 million in FYE 2017 to RM63.68 million in FYE 2018.

Manufacturing

Our revenue from the manufacturing segment increased by RM1.08 million or 2.7% from RM40.05 million in FYE 2017 to RM41.13 million in FYE 2018. The slight increase was due to the net effects of the increase in revenue generated from decorative light poles and specialty poles as a result of the following:

- higher volume of decorative light poles sold during the financial year. The increased number of decorative light poles sold was due to a large order for Iskandar Coastal Highway project in Johor Bahru. Despite the fact that the public road project required larger decorative light poles with a height of more than 12 meters (as opposed to the usual 8 or 9 meters), the average selling price for decorative light poles remained consistent from the previous financial year due to bulk discounts provided on the supply of decorative light poles to the said public road project;

- higher average selling price for specialty poles despite a lower number of specialty poles sold in FYE 2018. This was due to a higher demand for large specialty poles, particularly telecommunication monopoles and high mast poles, from local specialised telecommunication contractors and M&E contractor in FYE 2018. Such poles command a higher average selling price and as a result, the average selling price for specialty poles increased from RM578 per unit in FYE 2017 to RM884 per unit in FYE 2018. At the same time, the number of orders of other types of specialty poles such as camera poles, traffic poles, mid-hinge collapsible poles and mining light poles declined in the FYE 2018. This was partially offset from an increase in orders for oil and gas light poles from Korea.

However, our revenue from standard street light poles declined from RM17.31 million in FYE 2017 to RM13.28 million in FYE 2018 as a result of lower volume of standard street light poles sold due to lower demand resulting from the slowdown in construction of township development projects and infrastructure projects during the financial year.

Trading

Our revenue from trading segment recorded an increase of RM1.85 million or 8.9% from RM20.70 million in FYE 2017 to RM22.55 million in FYE 2018. The increase was due to a higher average selling price for outdoor lighting products in FYE 2018 as compared to FYE 2017 despite lesser outdoor lighting products sold in FYE 2018.

The higher average selling prices were due to a growing demand trend for products with higher specifications and quality which include LED outdoor lighting products and outdoor lighting products with higher wattage, which carry a higher sales value. In the FYE 2018, there was higher demand for these outdoor lighting products as compared to the previous financial years, mainly due to initiatives to install and/or replace LED outdoor lighting for street lighting in several states that were announced in the year. As a result, there was a higher number of LED outdoor lighting products and outdoor lighting products with higher wattage sold as compared to the previous years.

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(b) Cost of sales, GP and GP margin

Our cost of sales mainly comprises raw materials and supplies, direct labour and other direct costs. Our costs of sales are subject to changes in cost of material and supplies as well as direct labour costs.

(i) Analysis of cost of sales by cost components

Our cost of sales comprises of the following:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing								
Raw materials	10,158	29.7	7,296	22.8	9,366	23.1	9,999	23.3
Supplies	6,514	19.1	4,688	14.7	6,374	15.7	6,406	15.0
Direct labour costs	5,002	14.6	4,691	14.7	6,284	15.5	5,890	13.8
Other direct costs	4,107	12.0	5,293	16.6	7,560	18.6	6,960	16.3
Sub-total	**25,780**	**75.4**	**21,968**	**68.8**	**29,584**	**72.9**	**29,255**	**68.4**
Trading								
Supplies	8,383	24.6	9,979	31.2	10,968	27.1	13,513	31.6
Total	**34,163**	**100.0**	**31,947**	**100.0**	**40,552**	**100.0**	**42,768**	**100.0**

The cost of sales for the past 4 FYE 2015 to 2018 were largely attributable to our manufacturing segment, constituting 75.4%, 68.8%, 72.9% and 68.4% to our total cost of sales in the respective financial years.

The cost of sales attributable to raw materials was the largest cost component for our manufacturing segment during the financial years under review, contributing 29.7%, 22.8%, 23.1% and 23.3% to our total cost of sales in the FYE 2015, 2016, 2017 and 2018, respectively. Costs of raw materials are largely determined by market prices of steel products which are subject to, amongst others market supply and demand conditions, prices of raw materials for the production of steel and prevailing energy costs, as well as global steel prices and Government regulations.

The cost of sales attributable to supplies (foundation bolts and nuts, junction boxes and concrete footing) and other direct costs (such as anti-corrosive galvanising and powder coating costs, operation and maintenance costs, rentals for machinery and equipment, transportation costs and customs duties) grew in line with the number of steel poles manufactured to meet customer demands during the financial years under review. The cost of sales attributable to direct costs is dependent on the number of workers and hours required in the manufacturing of our steel poles which are subject to the level of automation of our manufacturing processes. The use of more CNC machinery and equipment will increase operational efficiency, leading to less hours and workers required.

Meanwhile, the only cost component of our trading segment is supplies of outdoor lighting products. Costs of these supplies are determined by the type of products we purchase and our ability to negotiate better discounts with our suppliers. Generally, outdoor lighting products with higher specifications and quality are higher in purchase value.

10. FINANCIAL INFORMATION *(Cont'd)*

(ii) Analysis of cost of sales by business segment

The table below sets out our cost of sales by business segment:

	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing								
Standard street light poles	12,192	35.7	10,435	32.7	14,514	35.8	11,172	26.1
Decorative light poles	8,466	24.8	6,442	20.2	9,507	23.4	10,830	25.3
Specialty poles	5,122	15.0	5,091	15.9	5,563	13.7	7,253	17.0
Sub-total	**25,780**	**75.5**	**21,968**	**68.8**	**29,584**	**72.9**	**29,255**	**68.4**
Trading								
Outdoor lighting products	8,383	24.5	9,979	31.2	10,968	27.1	13,513	31.6
Total	**34,163**	**100.0**	**31,947**	**100.0**	**40,552**	**100.0**	**42,768**	**100.0**

The average cost of sales/unit for each of our product segments for the financial years under review is as follows:

	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	Units	RM/unit	Units	RM/unit	Units	RM/unit	Units	RM/unit
Manufacturing								
Standard street light poles	16,325	747	15,615	668	19,345	750	14,814	754
Decorative light poles	4,492	1,885	5,564	1,158	7,143	1,331	7,962	1,360
Specialty poles	12,135	422	17,865	285	17,147	324	15,042	482
Trading								
Outdoor lighting products	8,888	943	7,717	1,293	10,664	1,029	7,296	1,852

Our cost of sales was mainly attributable to our manufacturing segment, representing 68.4% to 75.5% of total cost of sales for the financial years under review. This corresponds with our revenue segmentation where the manufacturing segment was the larger revenue contributor to our Group.

(iii) Analysis of GP and GP margin by business segment

The table below sets out our GP and GP margin by business segment:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Manufacturing								
Standard street light poles	876	6.7	2,106	16.8	2,799	16.2	2,104	15.8
Decorative light poles	1,037	10.9	3,315	34.0	3,323	25.9	3,735	25.6
Specialty poles	2,155	29.6	4,686	47.9	4,345	43.9	6,039	45.4
Sub-total	**4,068**	**13.6**	**10,107**	**31.5**	**10,467**	**26.1**	**11,878**	**28.9**
Trading								
Outdoor lighting products	2,309	21.6	2,320	18.9	9,728	47.0	9,034	40.1
Total	**6,377**	**15.7**	**12,427**	**28.0**	**20,195**	**33.2**	**20,912**	**32.8**

Our trading segment recorded a GP margin of 47.0% and 40.1% for FYE 2017 and FYE 2018, respectively. These GP margins may not be sustainable as the level of competition in the market increases in the future due to the entry of more outdoor lighting products suppliers. The increased level of competition may require our Group to offer a more competitive pricing for our outdoor lighting products in order to remain competitive in the market. This may result in a lower GP margin and lower profitability for our Group's trading segment in the future as compared to FYE 2017 and FYE 2018. The GP margin for the trading segment for FYE 2016 was 18.9%.

(iv) Commentary on cost of sales, GP and GP margin

Comparison between FYE 2015 and FYE 2016

Manufacturing

Our total cost of sales decreased by RM2.21 million or 6.5% from RM34.16 million in FYE 2015 to RM31.95 million in FYE 2016 as all 3 of our steel poles products, namely standard street light poles, decorative light poles and specialty poles experienced an average decrease in cost of sales per unit of approximately 30.9% due to the following:

- Decrease in average costs of steel plates and pipes by approximately 7.8% as a result of the liberalisation of steel industry in Malaysia that encouraged imports of hot rolled coil steel products (which includes steel plates). A provisional safeguard duty was put in place to progressively liberalise the steel industry, starting from July 2015. The provisional safeguard duty imposed reduced from 17.4% from July 2015 to July 2016, to 13.9% from July 2016 to July 2017. The lower duty imposed encouraged more imports, leading to lower prices of steel plates and pipes;

- Increase in efficiency arising from the use of CNC machinery and robotic cutting machinery following our relocation to our Main Manufacturing Facility in April 2016, which enabled us to meet our production schedule within the stipulated timeframe without incurring overtime claims from our direct workers; and

- In-house capabilities of manufacturing pole sections of up to 12 meters in length through the new machinery purchased and commenced operating in July 2016, enabling us to manufacture high mast poles and telecommunication monopoles in-house. In the past, the manufacturing of large pole sections was outsourced to third party service providers.

Our GP from the manufacturing segment recorded an increase of RM6.04 million or 148.4% from the previous financial year, from RM4.07 million in FYE 2015 to RM10.11 million in FYE 2016, which is in line with the growth in our revenue for manufacturing segment and the reduction in our cost of sales per unit.

Accordingly, our GP margin for our manufacturing segment improved from 13.6% in FYE 2015 to 31.5% in FYE 2016.

Trading

Meanwhile, cost of sales for our trading segment increased by RM1.60 million or 19.1%, despite a drop in total quantity sold of approximately 13.2%. The increase in cost of sales was due to the increase in average cost of sales per unit from RM943 in FYE 2015 to RM1,293 in FYE 2016, resulting from the increase in sale of higher sales value products with higher specifications and quality in FYE 2016, which are higher in purchase value.

Consequently, our trading segment recorded a slight increase in GP of RM0.01 million in FYE 2016 as compared to FYE 2015. Despite that, our GP margin for trading segment decreased from 21.6% in FYE 2015 to 18.9% in FYE 2016 due to the 37.1% increase in average cost of sales per unit of outdoor lighting products, outpacing the 32.5% increase in average revenue per unit of outdoor lighting products as we absorbed part of the incremental in the average cost of sales per unit in order to offer a more competitive pricing to our customers for several residential township development including Eco Majestic, Eco Tropics and Setia Eco Glades. Our Group generally consider several aspects such as size of orders, urgency of order, mode of payment (i.e. partial cash sales or full credit sales) and customers' feedback (i.e. customers' preferred brand in certain project) in deciding when to absorb or pass on the incremental cost to our customers. These aspects are considered on a case by case basis.

Comparison between FYE 2016 and FYE 2017

Manufacturing

Our total cost of sales increased by RM8.60 million or 26.9% from RM31.95 million in FYE 2016 to RM40.55 million in FYE 2017 as all 3 of our steel poles products, namely standard street light poles, decorative light poles and specialty poles experienced an average increase in cost of sales per unit of approximately 13.9% due to the increase in the average cost of steel plates and pipes from RM2,014 per MT and RM2,215 per MT in FYE 2016, to RM2,632 per MT and RM2,895 per MT in FYE 2017 as a result of a hike in market steel price.

Our GP margin for the manufacturing segment reduced from 31.5% to 26.1% mainly due to the decrease in GP margin of decorative light poles arising from an order secured for the supply of large decorative light poles of 12 meters in height for the Iskandar Coastal Highway project in Johor Bahru at a competitive pricing. Our first order for this project was secured in October 2017. Our Group generally consider several aspects such as size of orders, urgency of order, customisation requirements (i.e. size, material, design and height) when pricing our manufactured products. These aspects are considered on a case by case basis.

Trading

Meanwhile, the trading segment recorded an increase in cost of sales of 9.9%, which was in line with the increase in revenue from our trading segment. However, our GP margin for the trading segment increased significantly from 18.9% in FYE 2016 to 47.0% in FYE 2017 due to a lower average cost of sales per unit in FYE 2017 and higher average revenue per unit in FYE 2017 as we were able to attain bulk discount from our supplier for larger volume of outdoor lighting product procured. We purchased a larger volume of outdoor lighting products as we supplied more outdoor lighting products to several residential township development including Eco Summer, Eco Spring and Hill Park Town.

Comparison between FYE 2017 and FYE 2018

Manufacturing

Our total cost of sales decreased by RM0.32 million or 1.1% from RM29.58 million in FYE 2017 to RM29.26 million in FYE 2018 which resulted from the decrease in cost of sales of standard street light poles largely due to a lower number of standard street light poles manufactured during FYE 2018.

Nevertheless, the decrease in total cost of sales for standard street light poles was partially offset by the increase in total cost of sales of decorative light poles and specialty poles as a result of:

- an increase in number of decorative light poles manufactured by approximately 11.5% from 7,143 units in FYE 2017 to 7,962 units in FYE 2018. This is largely due to orders of decorative light poles secured for the Iskandar Coastal Highway project in Johor Bahru.

- increase in cost of sale per unit for specialty poles as there was a higher number of large specialty poles (such as telecommunication monopoles, oil and gas light poles and high mast poles). These large poles have an average height of 30 meters, and is thus taller than other types of specialty poles with an average height of 10 meters. As a result, more raw materials were required in the manufacturing of these large specialty poles which led to an increase in cost of sales for specialty poles.

Accordingly, our GP margin for the manufacturing segment increased from 26.1% in FYE 2017 to 28.9% in FYE 2018. This was largely due to an increase in GP margin for our specialty pole segment where average selling price for specialty poles increased by 52.9% while cost of sales per unit for our specialty poles increased by only 48.8%. Average selling price for specialty poles was higher as there were more large specialty poles sold during the financial year, which generally command a better profit margin.

Trading

Meanwhile, cost of sales of our trading segment increased by RM2.55 million or 23.2%. The increase in cost of sales was due to the increase in average cost of sales per unit from RM1,029 in FYE 2017 to RM1,852 in FYE 2018, resulting from more products with higher specifications and quality being sold during FYE 2018 which are higher in purchase value. Our GP margin for the trading segment also decreased from 47.0% in FYE 2017 to 40.1% in FYE 2018 as we did not fully pass on the incremental cost to our customers in order to offer a more competitive pricing to our customers to secure orders. Our Group generally consider several aspects such as size of orders, urgency of order, mode of payment (i.e. partial cash sales or full credit sales) and customers' feedback (i.e. customers' preferred brand in certain project) in deciding when to absorb or pass on the incremental cost to our customers. These aspects are considered on a case by case basis.

(c) Other operating income

The breakdown of our other operating income for the financial years under review is as follows:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of property, plant and equipment	408	49.0	-	-	22	5.5	51	8.1
Realised foreign exchange gains	342	41.1	430	87.5	343	86.4	*	*
Reversal of allowance for doubtful debts	56	6.7	44	8.9	-	-	257	40.9
Bad debts recovered	22	2.6	7	1.4	-	-	-	
Interest income	3	0.4	6	1.2	21	5.3	-	
Reversal of allowance for obsolete inventories	-	-	-	-	-	-	245	39.0
Miscellaneous income	2	0.2	5	1.0	11	2.8	9	1.4
Rental income	-	-	-	-	-	-	66	10.5
Total	**833**	**100.0**	**492**	**100.0**	**397**	**100.0**	**628**	**100.0**

Note:

* Negligible

Comparison between FYE 2015 and FYE 2016

Our other operating income decreased by RM0.34 million or 40.9%, from RM0.83 million in FYE 2015 to RM0.49 million in FYE 2016.

The decrease was primarily due to absence of a one-off gain on disposal of property, plant and equipment of RM0.41 million recorded in FYE 2015. In FYE 2015, the gain on disposal was from the disposal of 1 unit of 3 storey leasehold semi-detached factory in Taman Meranti Jaya of RM0.25 million and 2 units of motor vehicles to our Promoters of RM0.16 million.

Comparison between FYE 2016 and FYE 2017

In FYE 2017, our other operating income decreased by RM0.09 million or 19.3%, from RM0.49 million in FYE 2016 to RM0.40 million in FYE 2017. The decrease was mainly due to lower realised gains on foreign currency exchange in FYE 2017 of RM0.34 million as compared to RM0.43 million in FYE 2016, which is in line with the lower foreign sales recorded in FYE 2017.

Comparison between FYE 2017 and FYE 2018

In FYE 2018, our other operating income increased by RM0.23 million or 57.5%, from RM0.40 million in FYE 2017 to RM0.63 million in FYE 2018. The increase was primarily due to:

- reversal of allowance for doubtful debts of RM0.26 million due to a settlement of debt from a local customer which had been impaired in FYE 2017; and

- reversal of allowance for obsolete inventories of RM0.25 million as a result of recycling defected raw materials into reusable inventory. In FYE 2017, there were defects in steel plates (i.e. uneven surface) purchased from our existing supplier. We had difficulty returning these materials to the suppliers as we could not ascertain if the defect occurred before or after the steel plates were delivered to our premise. In FYE 2018, these steel plates were turned into reusable inventory as we found other usages for these steel plates by cutting it into smaller pieces for the manufacturing of services doors (i.e. components of the steel poles) and adjoining parts of smaller steel poles.

However, this was partially offset by the decrease of RM0.34 million in realised gains on foreign exchange in FYE 2018 which was due to the strengthening of the RM against the USD in FYE 2018 in comparison to FYE 2017.

(d) Operating expenses and finance costs

Our operating expenses comprise expenses that are not directly allocated to cost of sales, such as selling and distribution expenses, administrative expenses and other operating expenses. Our finance costs comprise interest expense on our Group's borrowings.

The breakdown of our operating expenses and finance costs for the financial years under review, are as follows:

	Audited							
	FYE 2015		**FYE 2016**		**FYE 2017**		**FYE 2018**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Selling and distribution expenses	428	8.8	584	10.1	868	9.6	936	10.0
Administrative expenses	4,115	85.0	4,725	82.1	6,684	73.5	7,059	75.6
Other operating expenses	53	1.1	55	1.0	638	7.0	270	2.9
Finance cost	247	5.1	394	6.8	902	9.9	1,072	11.5
Total	**4,843**	**100.0**	**5,758**	**100.0**	**9,092**	**100.0**	**9,337**	**100.0**

Further details of our operating expenses and finance costs are elaborated below:

(i) Selling and distribution expenses

The breakdown of our selling and distribution expenses for the financial years under review is shown below:

	Audited							
	FYE 2015		**FYE 2016**		**FYE 2017**		**FYE 2018**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales commissions	179	41.8	251	43.0	336	38.7	415	44.3
Marketing expenses	154	36.0	218	37.3	302	34.8	302	32.3
Travelling expenses	95	22.2	115	19.7	230	26.5	219	23.4
Total	**428**	**100.0**	**584**	**100.0**	**868**	**100.0**	**936**	**100.0**
As a percentage of revenue	*1.1%*		*1.3%*		*1.4%*		*1.5%*	

For the financial years under review, our selling and distribution expenses have been increasing in line with the increase in our revenue. The 2 largest components of our selling and distribution expenses are sales commissions for our manufacturing and trading business segment and marketing expenses. Our selling and distribution expenses do not include the delivery cost of our finished products to customers.

Collectively, these 2 components constituted approximately 73.5% of the selling and distribution cost in FYE 2017 and 76.6% of the selling and distribution cost in FYE 2018. Travelling expenses comprises transportation expenses and accommodation expenses incurred by our marketing personnel.

(ii) Administrative expenses

The breakdown of our administrative expenses for the financial years under review is shown below:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	2,089	50.8	2,570	54.4	3,687	55.0	4,597	65.1
Repair and maintenance costs	824	20.0	1,065	22.6	1,267	19.0	1,120	15.9
Administrative expenses (1)	713	17.3	805	17.0	786	11.8	758	10.7
Professional fees (2)	359	8.7	133	2.8	632	9.5	342	4.8
Others (3)	130	3.2	152	3.2	312	4.7	242	3.5
Total	**4,115**	**100.0**	**4,725**	**100.0**	**6,684**	**100.0**	**7,059**	**100.0**

Notes:

(1) Including petrol expenses, levy for foreign workers, permit fees, road tax renewal fees as well as printing and office supply expenses.

(2) Including accounting, audit, tax filing, secretarial, legal and other professional fees. The professional fees recorded in FYE 2017 mainly relates to the legal fees incurred pursuant to the acquisition of the Adjacent Land.

(3) Including utilities, insurance and finance charges.

For the financial years under review, our administrative expenses have been increasing in line with the increase in our revenue. As our Group's revenue increases, we will incur more administrative expenses to support the growth in our business. The majority of our administrative expenses is staff costs which constitutes more than 50% of our administrative expenses in the financial years under review.

(iii) Other operating expenses

The breakdown of our other operating expenses for the financial years under review is shown below:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Allowance for doubtful debts	-	-	-	-	385	60.3	50	18.5
Allowance for obsolete inventories	-	-	-	-	245	38.4	-	-
Miscellaneous expenses (1)	53	100.0	55	100.0	8	1.3	220(2)	81.5
Total	**53**	**100.0**	**55**	**100.0**	**638**	**100.0**	**270**	**100.0**

Notes:

(1) Includes bad debts and other general expenses

(2) Mainly comprise late payment interest incurred for the extension of deadline to complete the acquisition of Light Industrial Land. We seek the said extension from vendor of the Light Industrial Land as we were awaiting the drawdown of term loan for the said acquisition and have no immediate plans to utilise the Light Industrial Land. As at LPD, we have made full payment for the Light Industrial Land but pending registration of transfer of title.

Overall, our other operating expenses have been maintained at RM0.06 million and below, save for in FYE 2017 when other operating expense was recorded at RM0.64 million due to allowances made for doubtful debts and obsolete inventories. In FYE 2018, we managed to fully reverse the allowance for obsolete inventories by recycling the defected raw materials into reusable inventories as well as partly recover the doubtful debts provided after arriving at debt settlement for instalment repayment with a local customer. As a result, our other operating expense in FYE 2018 reduced to RM0.27 million.

(iv) Finance cost

The breakdown of our finance costs for the financial years under review is shown below:

	Audited							
	FYE 2015		**FYE 2016**		**FYE 2017**		**FYE 2018**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expenses on:								
Term loans	205	83.0	289	73.4	777	86.1	933	87.0
Finance leases	34	13.8	83	21.0	107	11.9	99	9.3
Bankers' acceptance	8	3.2	22	5.6	18	2.0	40	3.7
Total	**247**	**100.0**	**394**	**100.0**	**902**	**100.0**	**1,072**	**100.0**

We utilise bankers' acceptance to finance our working capital, which includes inventories and trade receivables; while finance leases and term loans are utilised for the acquisition of properties and purchase of machinery.

A large part of our finance costs are interests paid for term loans and finance leases which are utilised to acquire new properties and machinery.

Our finance cost for the financial years under review ranges from RM0.25 million to RM1.07 million, representing approximately 0.6% to 1.7% of our total revenue for the financial years under review.

Comparison between FYE 2015 and FYE 2016

In FYE 2016, our operating expenses and finance costs increased by RM0.92 million or 18.9%, from RM4.84 million in FYE 2015 to RM5.76 million in FYE 2016.

The increase was mainly due to the following:

- increase in staff costs by RM0.48 million, as our workforce (save for direct labour) increased from 24 employees in FYE 2015 to 32 employees in FYE 2016;
- increase in repair and maintenance costs of RM0.24 million, that was incurred due to the shifting of our operations into the Main Manufacturing Facility during the financial year;

- increase in selling and distribution expenses of RM0.16 million which is in line with the higher revenue recorded in FYE 2016. Selling and distribution expenses as a percentage of revenue increased from 1.1% in FYE 2015 to 1.3% in FYE 2016; and

- increase in finance costs of RM0.15 million, resulting from interest expenses on additional term loans and finance leases for the purchase of new machinery and equipment, including our press brake machine.

Comparison between FYE 2016 and FYE 2017

In FYE 2017, our operating expenses and finance costs increase by RM3.33 million or 57.9% from RM5.76 million in FYE 2016 to RM9.09 million in FYE 2017.

The higher operating expenses and finance costs was mainly due to the following:

- increase in staff costs by RM1.12 million as a result of the following:

    - RM0.22 million increase in salary for our employees as our workforce (save for direct labours) increased from 32 employees in FYE 2016 to 36 employees in FYE 2017;

    - Annual increments in salary for Directors and certain key employees of RM0.40 million. The significant annual increment was due to our improved financial performance in FYE 2017 whereby our revenue recorded a growth of 36.9% compared to FYE 2016;

    - performance bonus for FYE 2016 of RM0.43 million which were expensed out in FYE 2017 as compared with the performance bonus for FYE 2015 of RM0.26 million which were expensed out in FYE 2016; and
    - provision of bonus for FYE 2017 of RM0.55 million due to the adoption of more prudent accounting policies. We do not recognise any provision of bonus in the past;

- allowance for doubtful debts of RM0.39 million for debtors aging more than 1 year from the credit period provided and doubtful in its recoverability;

- allowance for obsolete inventories of RM0.25 million made for defected raw materials that could not be returned to the supplier; and

- higher interest expense on term loans of RM0.49 million, arising from the drawdown of term loans to finance the purchase of a leasehold industrial land adjacent to our Main Manufacturing Facility.

- increase in selling and distribution expenses of RM0.28 million, which is in line with the higher revenue recorded in the FYE 2017. Selling and distribution expenses as a percentage of revenue increased slightly from 1.3% in FYE 2016 to 1.4% in FYE 2017.

Comparison between FYE 2017 and FYE 2018

In FYE 2018, our operating expenses and finance costs increased by RM0.25 million or 2.7% mainly due to the net effect of the following:

- increase in staff cost by RM0.91 million as our workforce (save for direct labour) increased from 37 employees in FYE 2017 to 66 employees in FYE 2018; and

- higher interest expense on term loan of RM0.16 million arising from the purchase of new machinery and equipment in FYE 2018.

(e) PBT and PBT margin

The analysis of our PBT and PBT margins for the financial years under review is explained in the subsections below:

	Audited			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Revenue (RM'000)	40,540	44,374	60,747	63,680
PBT (RM '000)	2,367	7,161	11,500	12,203
PBT Margin (%)	5.8%	16.1%	18.9%	19.2%

Comparison between FYE 2015 and FYE 2016

We recorded a higher PBT margin in FYE 2016 of 16.1%, from 5.8% in FYE 2015. This was a result of a significant increase in GP margin in the financial year (from 15.7% in FYE 2015 to 28.0% in FYE 2016), while operating expenses and finance costs as a percentage of revenue increased marginally (from 11.9% in FYE 2015 to 13.0% in FYE 2016). The improved GP margin was mainly due to our steel pole products which experienced an average decrease in cost of sales per unit of approximately 30.9%.

Comparison between FYE 2016 and FYE 2017

Our PBT margin in FYE 2017 increased from 16.1% in FYE 2016 to 18.9% in FYE 2017. The increase was due to the higher GP margin in FYE 2017 (from 28.0% in FYE 2016 to 33.2% in FYE 2017). The higher GP margin was partially offset by a higher operating expenses and finance costs as a percentage of revenue (from 13.0% in FYE 2016 to 15.0% in FYE 2017) in the financial year. The improved GP margin was mainly due to our trading segment as we were able to attain bulk discount from larger volume of outdoor lighting product procured.

Comparison between FYE 2017 and FYE 2018

We recorded a higher PBT margin in FYE 2018 of 19.2%, from 18.9% in FYE 2017, due to the following:

- higher operating income in FYE 2018 (from RM0.40 million in FYE 2017 to RM0.63 million in FYE 2018). The higher operating income was mainly due to a reversal of allowance for doubtful debts and reversal of allowance for obsolete inventories, as elaborated in Section 10.2.2(c); and

- lower other operating expenses in FYE 2018 (from RM0.64 million in FYE 2017 to RM0.27 million in FYE 2018). The higher other operating expenses incurred in FYE 2017 was mainly due to the higher allowance of doubtful debts of RM0.39 million (as compared with RM0.05 million in FYE 2018) and allowance of obsolete inventories of RM0.25 million recorded in FYE 2017.

(f) Taxation

The table below sets out the comparison between the statutory tax rates and our effective tax rates for the financial years under review:

	Audited			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Statutory tax rate (%)	25.0%	24.0%	24.0%	24.0%
Effective tax rate (%)	8.1%	26.3%	26.0%	23.7%

Comparison between FYE 2015 and FYE 2016

In FYE 2016, our tax expense was RM1.88 million at the back of PBT of RM7.16 million, translating into an effective tax rate of approximately 26.3% which is higher than the statutory tax rate. This was primarily due to RM0.35 million under provision in taxation recognised in FYE 2016 as compared to RM0.39 million over provision in taxation recognised in FYE 2015 as well as RM0.16 million of under provision in deferred tax in prior years. Our tax expense in FYE 2016 was partially offset by utilisation of RM0.46 million reinvestment allowances as compared to RM0.08 million in FYE 2015. The higher effective tax rate of 26.3% in FYE 2016 as compared to 8.1% in FYE 2015 was mainly due to the lower tax expense in FYE 2015 resulting from the adjustment of over provision of tax of RM0.39 million provided in FYE 2014. The over provision of tax of RM0.39 million in FYE 2014 was a result of an overestimation of the tax expense for FYE 2014 as a result of the reinvestment tax allowance of RM1.48 million claimed for the construction cost of Main Manufacturing Facility and acquisition of manufacturing machineries incurred during FYE 2014.

Comparison between FYE 2016 and FYE 2017

In FYE 2017, our tax expense was RM2.96 million at the back of PBT of RM11.50 million, translating into an effective tax rate of approximately 26.0% which is higher than the statutory tax rate. This was primarily due to lower amount of reinvestment allowances utilised coupled with higher amount of non-allowable expenses in FYE 2017. In FYE 2017, amount of reinvestment allowances utilised decreased to RM0.03 million as compared to RM0.46 million in FYE 2016 whereas non-allowable expenses increased from RM0.21 million to RM0.30 million. Notwithstanding the above, our tax expense in FYE 2017 was partially offset by over provision of deferred tax and taxation in FYE 2016. The marginal decrease in effective tax rate in FYE 2017, from 26.3% in FYE 2016 to 26.0% in FYE 2017 was mainly due to the under provision of tax for FYE 2016 of RM0.35 million as compared to the under provision of tax for FYE 2017 of RM1,763.

Comparison between FYE 2017 and FYE 2018

In FYE 2018, our tax expense was RM2.90 million at the back of PBT of RM12.20 million, translating into an effective tax rate of approximately 23.7% which is lower than the statutory tax rate. This was primarily due to higher reinvestment allowances utilised of RM0.12 million in FYE 2018 as compared to RM0.03 million in FYE 2017 while income not subject to tax increased from RM5,280 to RM0.12 million.

Our Group has not assumed any responsibility for the withholding of tax at source during the financial years under review.

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10.2.4 Review of financial position

(a) Assets

Our assets as at the end of the financial years under review comprise the following:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
ASSETS				
Non-current assets[(1)]				
Property, plant and equipment	15,972	19,175	29,420	23,136
Investment properties	-	-	-	1,355[(2)]
Total non-current assets	**15,972**	**19,175**	**29,420**	**24,491**
Current assets				
Inventories	1,981	2,596	9,035	9,707
Trade receivables	11,491	16,910	18,273	22,545
Other receivables	965	3,923	1,937	3,016
Tax recoverable	706	42	37	52
Cash and bank balances	1,034	2,170	5,333	3,931
Total current assets	**16,177**	**25,641**	**34,615**	**39,251**
Asset held-for-sale	-	-	-	4,377[(3)]
TOTAL ASSETS	**32,149**	**44,816**	**64,035**	**68,119**

Notes:

(1) The NBV of material properties owned by our Group (inclusive of capital work-in-progress) for the financial years under review are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Adjacent Land	-	-	7,551	6,645
Agricultural Land A	562	747	737	-
Agricultural Land B	576	762	752	-
Alam Puchong Land	2,891	3,942	4,422	-
Investment Property A	685	671	656	640
Investment Property B	747	738	724	714
Main Manufacturing Facility	7,995	8,508	8,350	8,192
Meslite's Factory	-	-	2,779	2,745

Agricultural Land A and Agricultural Land B has been disposed during FYE 2018 whereas Alam Puchong Land is in the midst of being disposed and has been reclassified from non-current assets to asset held-for-sale in FYE 2018.

(2) Pertaining to the Investment Property A and Investment Property B that were previously utilised as the manufacturing facility of Meslite. Investment Property A and Investment Property B were rented out to third party during FYE 2018 following the relocation of Meslite's manufacturing operation to Meslite's Factory during FYE 2017.

(3) Pertaining to the Alam Puchong Land which is in the midst of being disposed.

Comparison between FYE 2015 and FYE 2016

Our total assets increased by RM12.67 million from RM32.15 million in FYE 2015 to RM44.82 million in FYE 2016. This was due to an increase in non-current assets and current assets of RM3.20 million and RM9.46 million, respectively.

Non-current assets

The increase in non-current assets was mainly due to, amongst others, the following:

- work-in-progress for the construction of our Main Manufacturing Facility of RM2.43 million which was completed in the first half of 2016; and
- purchase of new machinery (largely comprising a press brake machine for manufacturing large poles and forklifts), amounting to RM1.35 million.

Current assets

The increase in current assets was mainly due to, amongst others, the following:

- increase in trade receivables of RM5.42 million which is in line with the increase in our revenue;
- Increase in the other receivables of RM2.96 million mainly due to advance payment of RM1.86 million made for the purchase of Meslite's Factory and earnest deposits of RM0.91 million for the purchase of the Adjacent Land;
- increase in the cash and bank balances of RM1.14 million; and
- increase in inventories of RM0.62 million mainly due to the increase in raw materials such as steel plates and steel pipes stored in anticipation for increasing orders and higher steel prices in the forthcoming financial year.

Comparison between FYE 2016 and FYE 2017

Our total assets increased by RM19.22 million from RM44.82 million in FYE 2016 to RM64.04 million in FYE 2017. This was due to an increase in non-current assets and current assets of RM10.25 million and RM8.97 million, respectively.

Non-current assets

The increase in non-current assets was mainly due to, amongst others, the following:

- purchase of the Adjacent Land for RM6.85 million;
- purchase of a Meslite's Factory for RM2.83 million; and
- construction work-in-progress of RM1.33 million for the construction of fence, gates, concrete flooring and drainage works for the Adjacent Land and the milestone payment in relation to the purchase of Alam Puchong Land that are under development.

Current assets

The increase in current assets was mainly due to, amongst others, the following:

- increase in inventories of RM6.44 million mainly due to more raw materials such as steel plates and steel pipes stored resulting from an increase in storage space following the acquisition of the Adjacent Land in the second half of 2017. This allowed us to order our raw materials in bulk to benefit from bulk discounts. The decision to purchase more raw materials was also in anticipation of the increase in steel prices;

- increase in the cash and bank balances of RM3.16 million; and

- increase in trade receivables of RM1.36 million which is in line with the increase in revenue during the financial year.

The increase in current assets was partially offset by a decrease of RM1.99 million in other receivables which was mainly due to the reclassification of advance payment and earnest deposits for the purchase of Meslite's Factory and Adjacent Land to property, plant and equipment following its completion in FYE 2017.

Comparison between FYE 2017 and FYE 2018

Our total assets increased by RM4.08 million from RM64.04 million in FYE 2017 to RM68.12 million in FYE 2018. This was due to a net effect of an increase of RM4.64 million in current assets and decrease of RM0.49 million in non-current assets.

Non-current assets

The slight decrease in non-current assets was mainly due to the reclassification of Alam Puchong Land to asset held-for-sale, disposals of 2 unit of motor vehicles and 1 forklift amounting to RM0.10 million as well as the disposals of Agricultural Land A and Agricultural Land B during FYE 2018.

Current assets

The increase in current assets was mainly due to, amongst others, the following:

- increase in inventories of RM0.67 million, which was mainly consist of raw materials such as steel plate and steel pipes and work-in-progress products for standard street light poles and decorative light poles that are waiting to undergo galvanising;

- increase in trade receivables of RM4.27 million in line with the slight increase in revenue and the concentration of sales in the fourth quarter of 2018 which have not reached their repayment period;

- increase in other receivables of RM1.08 million, which was mainly due to professional fees in relation to our Listing that are yet to be expensed. Our total Listing expenses (excluding underwriting, placement and brokerage fees) is estimated to be RM2.40 million. These expenses will be expensed out after our Listing and will reduce our profits for FYE 2019.

(b) Liabilities

Our liabilities as at the end of the financial years under review comprise the following:

	Audited			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
	RM'000	RM'000	RM'000	RM'000
LIABILITIES				
Non-current liabilities				
Borrowings	4,087	9,175	15,374	14,934
Finance lease liabilities	569	1,222	1,089	752
Deferred tax liabilities	160	469	291	298
Total non-current liabilities	**4,816**	**10,866**	**16,754**	**15,984**
Current liabilities				
Trade payables	7,349	9,193	12,367	11,287
Other payables and accruals	2,641	269	1,008	1,945
Amount due to Directors	2,959	2,899	1,799	15
Borrowings	436	1,110	1,652	1,140
Finance lease liabilities	321	663	635	797
Dividend payable	-	-	500	-
Tax payable	21	329	1,796	120
Total current liabilities	**13,727**	**14,463**	**19,757**	**15,304**
TOTAL LIABILITIES	**18,543**	**25,329**	**36,511**	**31,288**

Comparison between FYE 2015 and FYE 2016

Our total liabilities increased by RM6.79 million from RM18.54 million in FYE 2015 to RM25.33 million in FYE 2016. This was due to an increase in non-current liabilities and current liabilities of RM6.05 million and RM0.74 million, respectively.

Non-current liabilities

The increase in non-current liabilities was mainly due to, amongst others, the following:

- increase in borrowings of RM5.09 million as a result of partial drawdown of term loans to finance, amongst others, the construction works of our Main Manufacturing Facility and the milestone payment for the purchase of Alam Puchong Land that are under development; and

- increase in finance lease liabilities of RM0.65 million for the purchase of new machinery (largely comprising a press brake machine for manufacturing large poles and forklifts).

Current liabilities

The increase in current liabilities was mainly due to, amongst others, the following:

- increase in trade payables of RM1.84 million, which was mainly due to the higher purchases of raw materials and supplies during the financial year for the anticipated increase of our Group's raw material and supplies requirement and steel prices in the forthcoming financial year;

- increase in borrowings of RM0.67 million, resulting from partial drawdown of term loans to finance, amongst others, construction works of our Main Manufacturing Facility and the milestone payment for the purchase of Alam Puchong Land that are under development;

- increase in finance lease liabilities of RM0.34 million, resulting from the financing of the purchase of new machinery and motor vehicles; and

- Increase in tax payables of RM0.31 million, resulting from a higher PBT.

The increase in current liabilities was partly offset by the decrease in other payables and accruals amounting to RM2.37 million mainly as a result of milestone payment incurred in FYE 2015 for the purchase of Alam Puchong Land that are under development, which was paid in FYE 2016.

Comparison between FYE 2016 and FYE 2017

Our total liabilities increased by RM11.18 million from RM25.33 million in FYE 2016 to RM36.51 million in FYE 2017. This was due to an increase in non-current liabilities and current liabilities of RM5.89 million and RM5.29 million, respectively.

Non-current liabilities

The increase in non-current liabilities was mainly due to the increase in borrowings of RM6.20 million as a result of full drawdown of term loans to finance, amongst others, the purchase of the Adjacent Land and final milestone payment for the purchase of Alam Puchong Land.

The increase in borrowings was partially offset by the repayment of finance lease liabilities for the purchase of machinery amounting to RM0.13 million and deferred tax liabilities amounting to RM0.18 million.

Current liabilities

The increase in current liabilities was mainly due to, amongst others, the following:

- increase in trade payables of RM3.17 million mainly due to the higher purchases of raw materials and supplies during the financial year as we purchase raw materials in bulk to benefit from bulk discounts and in anticipation of higher steel prices in the forthcoming year;

- increase in tax payables of RM1.47 million, resulting from a higher PBT;

- increase in other payables and accruals of RM0.74 million mainly due to audit fee payable and bonus accruals; and

- increase in borrowings of RM0.54 million, as a result of full drawdown of multiple term loans to finance, amongst others, the purchase of the Adjacent Land and the final milestone payment for the purchase of Alam Puchong Land.

Comparison between FYE 2017 and FYE 2018

Our total liabilities decreased by RM5.22 million from RM36.51 million in FYE 2017 to RM31.29 million in FYE 2018. The decrease in total liabilities was due to the decrease in non-current liabilities and current liabilities of RM0.77 million and RM4.45 million respectively.

Non-current liabilities

The decrease in non-current liabilities was mainly due to the decrease in borrowings as a result of progressive repayment of our term loans and finance leases.

Current liabilities

The decrease in current liabilities was mainly due to the following:

- decrease in amount due to Directors of RM1.78 million due to repayment to Director in FYE 2018;
- decrease in trade payables of RM1.08 million as a result of lower purchase of raw materials and supplies as compared to FYE 2017 as a result of lower sales volume; and
- decrease in tax payable of RM1.68 million as a result of higher tax instalments paid in FYE 2018 as compared to FYE 2017.

10.2.5 Review of cash flows

The following table sets out the summary of our historical audited combined statements of cash flows for the financial years under review:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash from/(used in) operating activities	4,481	(1,403)	10,213	3,966
Net cash used in investing activities	(3,528)	(2,909)	(11,086)	(166)
Net cash (used in)/from financing activities	(133)	5,448	4,036	(5,202)
Cash and cash equivalents				
Net changes	**820**	**1,136**	**3,163**	(1,402)
At the beginning of the financial year	214	1,034	2,170	5,333
At the end of the financial year	**1,034**	**2,170**	**5,333**	**3,931**

Commentary of cash flows

FYE 2015

Net cash from operating activities

For FYE 2015, we generated net cash inflow from operating activities of RM4.48 million. We collected approximately RM38.53 million from our customers and other operating income received which was partially offset by cash payments of approximately RM34.05 million. Such payments were mainly for:

- approximately RM29.33 million paid to our trade suppliers;
- approximately RM3.86 million paid for our operating expenses and salaries; and
- income tax paid of RM0.86 million.

Net cash used in investing activities

For FYE 2015, we recorded a net cash outflow of RM3.53 million from our investing activities, mainly due to outflows of RM7.14 million for the purchase of motor vehicles and capital work-in-progress of our Main Manufacturing Facility.

The outflow was however, offset by cash inflow from the proceeds of RM3.62 million from disposal of a 3 storey semi-detached factory located at Taman Industri Meranti Jaya, Puchong and 2 company cars.

Net cash used in financing activities

For FYE 2015, we recorded a net cash outflow of RM0.13 million from our financing activities. This was mainly due to the following outflows:

- interest payment on banking facilities of RM0.25 million; and

- repayment of finance lease liabilities and term loans of RM0.23 million and RM3.38 million respectively.

The outflow was partly offset by the cash inflows of RM1.50 million from the issuance of 1,500,000 new ordinary shares in Mestron Engineering, drawdown of term loans of RM1.91 million for the construction works of our Main Manufacturing Facility, milestone payment for the purchase of Alam Puchong Land that are under development as well as the advances extended by our Directors of RM0.32 million. As a result of repayment and drawdown of borrowings during the year, our total borrowing stood at RM5.41 million as at 31 December 2015.

FYE 2016

Net cash used in operating activities

For FYE 2016, we recorded a net operating cash outflow of RM1.40 million as compared to the net operating cash inflow of RM4.48 million in FYE 2015 as a result of the cash payments of approximately RM40.79 million made in FYE 2016 (compared to RM34.05 million in FYE 2015) mainly for the following:

- approximately RM28.04 million paid to our trade suppliers as compared to RM29.33 million paid in FYE 2015. as we monitor the timing of our payments to utilise the longer credit term of up to 120 days granted by our supplier of raw materials (steel plates and steel pipes). The lower amount paid to our suppliers resulted in the increase of trade payable turnover days from 65 days in FYE 2015 to 94 days in FYE 2016;

- approximately RM12.16 million paid for our operating expenses and salaries amounting to RM7.43 million (compared to RM3.86 million in FYE 2015) and operating cash outflow in FYE 2016 of RM4.73 million for deposits and advances payment for the purchase of properties as well as the settlement of other creditors; and

- income tax paid of RM0.60 million as compared to RM0.86 million paid in FYE 2015 despite incurring a higher tax expense of RM1.88 million (compared with RM0.19 million incurred in FYE 2015). The lower income tax paid in FYE 2016 was mainly due to the refund of excess income tax paid in the previous year of RM0.39 million.

These cash payments was partially offset by the cash collected from our customers and other operating income received of approximately RM39.39 million as compared to RM38.53 million collected during FYE 2015 despite a 9.5% increase in revenue in FYE 2016 as we recorded a higher sales of RM13.67 million in the fourth quarter of FYE 2016 as compared to RM9.01 million recorded in the fourth quarter of FYE 2015. As such, a greater portion of our trade receivable as at 31 December 2016 of RM4.62 million (as compared to RM2.30 million as at 31 December 2015) has yet to reach the payment deadline and are still within the credit terms granted. This resulted in our trade receivable turnover period to increase from 93 days in FYE 2015 to 117 days in FYE 2016.

Net cash used in investing activities

For FYE 2016, we recorded a net cash outflow of RM2.91 million from our investing activities mainly due to the cash outflows of RM2.91 million for the construction of our Main Manufacturing Facility, which was completed in first half of 2016.

Net cash from financing activities

For FYE 2016, we recorded a net cash inflow in financing activities of RM5.45 million due to the drawdown of term loans of RM8.06 million mainly for the construction works of our Main Manufacturing Facility as well as the milestone payment of the purchase of Alam Puchong Land that are under development and the cash inflow of RM0.60 million from the issuance of 400,000 new ordinary shares and 200,000 new ordinary shares in Meslite and Max Lighting respectively.

The inflow was partly offset by the following cash outflows:

- repayment on terms loan and finance lease liabilities of RM2.30 million and RM0.46 million respectively; and
- interest payment on banking facilities of RM0.39 million.

As a result of the repayment and drawdown of borrowings during the year, our total borrowings stood at RM12.17 million as at 31 December 2016.

FYE 2017

Net cash from operating activities

For FYE 2017, we generated a net operating cash inflow of RM10.21 million as compared to the net operating cash outflow of RM1.40 million in FYE 2016 as we collected approximately RM59.74 milllion from our customers and other operating income received (compared to RM39.39 million during FYE 2016). The increase in collection from our customers is in line with the growth in our revenue from RM44.37 million in FYE 2016 to RM60.75 million in FYE 2017 and our improved collection procedure in FYE 2017 whereby our finance personnel and sales and marketing staff followed up closely with our customer for payment collection by sending out monthly debtors' statement and payment reminders to our customer.

The increase in collection from our customers and other operating income received was partially offset by cash payment of approximately RM49.52 million (compared to RM40.79 million during FYE 2016). Such cash payments were mainly for the following:

- approximately RM42.88 million paid to our trade suppliers as compared to RM28.04 million during FYE 2016 mainly due to the purchase of more steel plates and steel pipes in FYE 2017 in anticipation of the increase in steel prices and expansion of our storage area during FYE 2017;
- approximately RM4.72 million paid for our operating expenses and salaries (compared to RM7.43 million in FYE 2016); and

- income tax paid of RM1.67 million as compared to RM0.60 million paid in FYE 2016. We incurred a higher tax expense of RM2.96 million in FYE 2017 (compared with RM1.88 million incurred in FYE 2016).

Net cash used in investing activities

For FYE 2017, we recorded a net cash outflow from investing activities of RM11.09 million mainly due to the purchase of Meslite's Factory and the Adjacent Land.

Net cash from financing activities

For FYE 2017, we recorded net cash inflows from financing activities of RM4.04 million due to the drawdown of terms loan of RM7.94 million mainly for the purchase of Meslite's Factory and the Adjacent Land.

The inflow was partly offset by the following outflows:

- repayment of term loans and finance lease liabilities of RM1.20 million and RM0.70 million respectively;
- repayment of advances received from Directors of RM1.10 million; and
- interest payment on banking facilities of RM0.90 million.

As a result of the repayment and drawdown of borrowings during the year, our total borrowings increased from RM12.17 million as at 31 December 2016 to RM18.75 million as at 31 December 2017.

FYE 2018

Net cash from operating activities

For FYE 2018, we generated a net cash inflow from operating activities of RM3.97 million as compared to the net cash inflow from operating activities of RM10.21 million during FYE 2017. The decrease in net cash inflow from operating activities of RM6.24 million was mainly due to cash payments of approximately RM58.13 million (compared to RM49.52 million during FYE 2017). Such cash payments were mainly for the following:

- approximately RM42.77 million paid to our trade supplier as compared to RM42.88 million during FYE 2017. Our trade payable turnover for FYE 2018 stood at 101 compared to 97 days during FYE 2017 as we monitor the timing of payments to our supplier as part of our cash flow management;
- Approximately RM11.16 million paid for our operating expenses and salaries as compared to RM4.72 million in FYE 2017; and
- income tax paid of RM4.61 million as compared to RM1.81 million paid in FYE 2017 due to tax instalments paid for FYE 2018 and payment of outstanding tax payable resulted from the under provision of tax instalments during FYE 2017.

The cash payment was offset by the cash collected from our customer and other operating income received of approximately RM62.09 million in FYE 2018, as compared to RM59.74 million collected during FYE 2017. The higher collection in FYE 2018 is in line with the growth in our revenue in FYE 2018 in which we recorded revenue of RM63.68 million as compared to RM60.75 million recorded in FYE 2017, representing an increase of 4.8%.

Net cash used in investing activities

For FYE 2018, we recorded a net cash outflow from investing activities of RM0.17 million due to the net effect from the cash outflow for the purchase of motor vehicles and machinery of RM1.79 million and cash inflow from the disposal of Agricultural Land A, Agricultural Land B and motor vehicles of RM1.62 million.

Net cash used in financing activities

For FYE 2018, we recorded a cash outflow in financing activities of RM5.20 million due to the following outflows:

- payment of RM0.50 million for the dividend declared during FYE 2017;
- repayment of banker's acceptance of RM4.44 million, which was mainly utilise for the purchase of goods.
- repayment of term loans and finance lease liabilities of RM1.60 million and RM0.89 million respectively;
- repayment of advances from Directors of RM1.79 million; and
- interest payment on banking facilities of RM1.07 million.

The outflow was partly offset by inflow from the drawdown of banker's acceptance of RM5.09 million mainly for the purchase of goods.

As a result of the repayment and drawdown of borrowings during the year, our total borrowings decreased from RM18.75 million as at 31 December 2017 to RM17.62 million as at 31 December 2018.

10.3 LIQUIDITY AND CAPITAL RESOURCES

10.3.1 Working capital

Our operations are funded by a combination of internal and external sources of funds. Our internal sources of funds comprise share capital, cash generated from our operating activities, while our external sources of funds are mainly trade facilities, i.e. bankers' acceptance.

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.

Our Board is of the opinion that after taking into consideration the existing level of cash and cash equivalents and the gross proceeds raised from our IPO, our Group would have adequate working capital for a period of 12 months from the date of this Prospectus.

As at 31 December 2018, we have:

(a) cash and bank balances of approximately RM3.93 million; and

(b) credit facilities (excluding finance lease) up to a limit of RM5.50 million, of which RM652,000 has been drawn.

Based on the pro forma consolidated statements of financial position of our Group as at 31 December 2018 (after the Acquisitions but before the Public Issue), our NA position stood at RM36.39 million and our gearing level is 0.48 times. Our NA position and gearing level after the Acquisitions and Public Issue (and utilisation of proceeds) are RM58.57 million and 0.23 times respectively.

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 and our allowance for impairment loss in respect of our doubtful debts is low. Our finance personnel work 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.

10.4 BORROWINGS

We utilise credit facilities such as finance leases for the purchase of motor vehicle and machinery and trade financing such as bankers' acceptances to partially finance our working capital. In addition, we also utilise term loans to finance the construction of factory building and purchase of properties.

Our total outstanding bank borrowings as at 31 December 2018 stood at RM17.62 million, details of which are set out as follows. All our bank borrowings are interest-bearing and denominated in RM.

	Purpose	Tenure	Interest rate	As at 31 December 2018
			% per annum	RM'000
Interest bearing short-term borrowings, payable within 1 year:				
Term Loans	Finance the construction of factory building, purchase of lands	Between 5 to 25 years	4.7%- 12.0%	488
Bankers' acceptance	Working capital	-	8.2%	652
Finance lease liabilities	Purchase of motor vehicles and machinery	Between 1 to 5 years	2.1%-3.6%	797
			Sub-total	**1,937**
Interest bearing long-term borrowings, payable after 1 year:				
Term Loans	Finance the construction of factory building, purchase of lands	Between 5 to 25 years	4.7%- 12.0%	14,934
Finance lease liabilities	Purchase of motor vehicles and machinery	Between 1 to 5 years	2.1%-3.6%	752
			Sub-total	**15,686**
			Total borrowings	**17,623**

Pro forma gearing (times)	
After Acquisitions before the Public Issue [(1)]	0.48
After the Public Issue [(2)]	0.23

Notes:

(1) Computed based on our pro forma shareholders' funds of RM36.42 million in the pro forma consolidated statements of financial position after the Acquisitions before the Public Issue.

(2) Computed based on our pro forma shareholders' funds of RM58.57 million in the pro forma consolidated statements of financial position after the Acquisitions and Public Issue (and utilisation of proceeds).

Our pro forma gearing ratio is expected to improve from 0.48 times (before the Public Issue) to 0.23 times (after the Public Issue and utilisation of proceeds) due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

Our borrowings carry the following interest rates for the financial years under review:

	FYE 2015	FYE 2016	FYE 2017	FYE 2018
	% per annum			
Floating rates				
Term loans[1]	4.7% - 5.0%	4.7% - 12.0%	4.7% - 12.0%	4.7% - 12.0%
Bankers acceptance	-	8.2%	8.2%	8.2%
Finance lease liabilities	2.4% - 3.6%	2.4% - 3.4%	2.4% - 3.4%	2.1% - 3.6%

Note:

(1) The significant spread in the range of interest rate for term loans in FYE 2016, FYE 2017 and FYE 2018 is due to a RM200,000 unsecured term loan of Meslite for working capital purposes with an interest rate of Base Lending Rate (6.97% as at LPD) plus 5.0%.

The following table sets out the maturities of our borrowings and finance lease liabilities:

	FYE 2015	FYE 2016	FYE 2017	FYE 2018
	RM'000	RM'000	RM'000	RM'000
Bank borrowings [1]				
Within the next 12 months	436	1,110	1,652	1,140
After the next 12 months:				
Later than 1 year but not later than 2 years	158	371	544	565
Later than 2 years but not later than 3 years	3,929	8,804	14,830	14,369
Finance lease liabilities				
Within the next 12 months	321	663	635	797
After the next 12 months:				
Later than 1 year but not later than 2 years	319	483	587	602
Later than 2 years but not later than 3 years	250	739	502	150

Note:

(1) Including bankers' acceptance.

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 financial years under review and the subsequent financial period up to the LPD.

As at the LPD, neither our Group nor our subsidiaries 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.

10.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for our bank borrowings as disclosed in Section 10.4, 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 (save for our finance lease liabilities) as at 31 December 2018 are based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities. Our finance lease liabilities as at 31 December 2018 are based on fixed rates.

The principal usages of these banking facilities are for working capital, purchase of raw materials, purchases of fixed assets and construction of our factory building.

10.6 MATERIAL CAPITAL COMMITMENTS, MATERIAL LITIGATION AND CONTINGENT LIABILITY

10.6.1 Material capital commitments

Save as disclosed below and our plan to utilised part of our proceeds to expand our Main Manufacturing Facility as set out in Section 4.8.1(a) of this Prospectus, we do not have any other material capital commitment as at the LPD:

	Amount
	RM'000
Contracted but not provided for:	
Purchase of industrial land	4,280

As at the LPD, the capital commitment of our Group relate to the purchase of Light Industrial Land. We expect to fund the above capital commitment via a combination of bank borrowings and/or internally generated funds.

10.6.2 Material litigation and contingent liability

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Directors do not know of any 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.

Our Directors are not aware of any contingent liability incurred by us or our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries as at the LPD.

10.7 KEY FINANCIAL RATIOS

The key financial ratios of our Group for financial years under review are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
Trade receivable turnover (days)[(1)]	93	117	106	117
Trade payable turnover (days)[(2)]	65	94	97	101
Inventory turnover (days)[(3)]	20	26	52	80
Current ratio (times)[(4)]	1.18	1.77	1.75	2.56
Gearing ratio (times)[(5)]	0.40	0.62	0.68	0.48

Notes:

(1) Computed based on average trade receivables over revenue of the year multiplied by 365 days for the past 4 FYE 2015 to 2018.

(2) Computed based on average trade payables over cost of sales of the year multiplied by 365 days for the past 4 FYE 2015 to 2018.

(3) Computed based on average inventories over cost of sales of the year multiplied by 365 days for the past 4 FYE 2015 to 2018.

(4) Computed based on current assets over current liabilities as at year end for each of the financial years under review.

(5) Computed based on the total borrowings over total equity as at year end for each of the financial years under review.

10.7.1 Trade receivables turnover

The ageing analysis of our trade receivables as at 31 December 2018 is as follows:

		Exceeding credit period			
	Within credit term	**1 to 30 days past due but not impaired**	**31 to 60 days past due but not impaired**	**More than 60 days past due but not impaired**	**Total**
Trade receivables (RM'000)	14,120	1,356	1,283	5,786	22,545
% of total trade receivables (%)	62.6	6.0	5.7	25.7	100.0
Subsequent collections up to the LPD (RM'000)	11,669	1,214	1,216	4,974	19,073
Trade receivables net of subsequent collections (RM'000)	2,451	142	67	812	3,472
% of trade receivables net of subsequent collections to total trade receivables net of subsequent collections (%)	70.6	4.1	1.9	23.4	100.0
Trade receivables turnover period (Days)					117

The normal credit period granted by our Group in respect of our trade receivables is between 30 to 90 days from the date of invoice. We may also accommodate longer credit period for customers with long term business relationships and who have higher credit worthiness. Our finance personnel and sales and marketing staff use ageing analysis and credit scoring reporting by CTOS Data Systems Sdn Bhd to monitor the credit quality of our trade receivables.

Our trade receivables turnover period for the financial years under review was between 93 to 117 days, which is slightly above our normal credit period granted to our customers as a result of extension of credit period given to our long term customers. We normally grant an extension of additional 30 days from the normal credit period of 30 to 90 days to our long term customers. The trade receivables amount that were being granted extension period will still be categorised as amount past credit terms in our aging analysis for prudence in our monitoring of trade receivables and to ensure that our finance personnel and sales and marketing staff follow up closely with the customer for collection at the end of the said extension period.

Our trade receivable turnover period increased from 93 days in FYE 2015 to 117 days in FYE 2016 as the collection from our customers recorded a marginal increase to RM38.96 million in FYE 2016 from RM38.19 million in FYE 2015, despite a 9.5% increase in revenue. We recorded total sales of RM13.71 million in the fourth quarter of FYE 2016 as compared RM9.01 million recorded in the same quarter of FYE 2015. As such, a greater portion of our total receivables as at 31 December 2016 of RM4.62 million has yet to reach the payment deadline and are still within the credit terms granted as compared to RM2.30 million as at 31 December 2015.

For FYE 2017, our trade receivable turnover period decreased from 117 days in FYE 2016 to 106 days as we collected RM59.38 million in FYE 2017 as compared to the collection of RM38.96 million in FYE 2016 which is an increase of 52.4%, while our revenue increased by 36.9%. The improved collection rate was a result of our improved collection procedures as our finance personnel and sales and marketing staff followed up closely with our customers for payment collection by sending out monthly debtors' statement and payment reminders to our customers, as opposed to FYE 2016 where we only send out payment reminders as and when needed (i.e. when payments approaching the end of credit term granted).

Our trade receivable turnover period increased from 106 days in FYE 2017 to 117 days in FYE 2018 as a result of a higher total trade receivables as at 31 December 2018 of RM22.55 million as compared with RM18.27 million as at 31 December 2017.

The higher total trade receivables as at 31 December 2018 was due to a greater portion of trade receivable that has yet to reach the payment deadline (i.e. trade receivables within credit term) of RM14.12 million as at 31 December 2018, as compared with RM4.48 million as at 31 December 2017. However, our trade receivable (more than 60 days past due) as at 31 December 2018 stood at RM5.79 million as compared with RM6.65 million as at 31 December 2017. We collected RM62.02 million in FYE 2018, which is higher as compared to the collection of RM59.74 million in FYE 2017.

Subsequent to FYE 2018 and up to LPD, we have collected RM19.07 million from our customers. The total trade receivables outstanding from our customers as at LPD stood at RM3.47 million.

The percentage of customers (in terms of trade receivable outstanding) that qualified for extension of credit period for the financial years under review are as follows:

	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
Percentage of customers qualified for extended credit period to the total trade receivable outstanding(1)(2)	37.7%	32.9%	38.0%	38.5%
Total trade receivables for customers qualified for extended credit period (RM'000)	4,323	5,560	6,950	8,683
Subsequent total collections up to LPD from customers qualified for extended credit period (RM'000)	4,323	5,560	6,950	6,763

Notes:

(1) Computed based on total trade receivable outstanding from customers qualified for extended credit period over the Group's total trade receivable outstanding for the financial years under review.

(2) We grant our customers with long term business relationships and higher credit worthiness an extended credit period of up to 120 days on an invoice to invoice basis. We generally grant the credit period extension to invoices that have past the normal credit period of 30 to 90 days from the date of invoices upon the request from the said customers. The amount of invoices past due from these customers that were granted with extended credit period for the financial years under review are as follows:

	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
Amount of invoices past due with extended credit period (RM'000)	*2,640*	*2,680*	*2,879*	*5,665*
Percentage of the total trade receivable outstanding	*23.0%*	*15.8%*	*15.8%*	*25.1%*

The total trade receivable past due for the financial years under review are as follows:

	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
Total trade receivable past due (RM'000)	9,194	12,290	13,701	8,425

Our total trade receivables past due as at 31 December 2018 is RM8.43 million, representing 37.4% of our total trade receivables as at 31 December 2018. Subsequent to 31 December 2018 and up to the LPD, we have collected RM19.07 million, representing 84.6% of the total trade receivables as at 31 December 2018.

As at LPD, the total trade receivables with more than 60 days past due amounted to RM0.81 million. Out of this trade receivable past due of RM0.81 million, RM0.50 million (approximately 61.7%) relates to our manufacturing segment and RM0.31 million (approximately 38.3%) relates to our trading segment. The average number of days past due for this trade receivable amount of RM0.81 million is approximately 92 days.

Our Group has not encountered any major disputes with our debtors. With respect to overdue trade receivables in the past, we have generally been able to recover payment eventually. As such, our Board is of the view that all trade receivables overdue but not impaired are still recoverable. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and, when appropriate, provides for impairment of these trade receivables.

Our allowances for doubtful debts for the financial years under review are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Impairment loss on receivables	-	-	(1)385	(2)126

Notes:

(1) Relates to outstanding trade receivable owing by 4 customers for more than 1 year from the date of invoice and recoverability is deemed to be doubtful by our management.

(2) Relates to the allowance of expected credit loss recorded in FYE 2018 of RM0.08 million and deposit paid of RM0.05 million to a firm of solicitors as stakeholder for the acquisition of a piece of land that did not materialise as the vendor was unable to obtain State consent for the transfer of land ownership. The firm of solicitors has failed to return the deposit to us and we are in the midst of taking legal action against them to recover the said amount and hence we have not written off the deposit paid to the firm of solicitors.

Trade receivables that are impaired are debts outstanding beyond its credit period and doubtful in its recoverability. Our management will nonetheless, still continue to recover those trade debts that were impaired through follows up with customers.

Impairment is made under the following circumstances:

(i) if trade receivable has been outstanding for more than 1 year after the date of invoice; or

(ii) if our management believes that the recoverability of the trade receivable is doubtful (i.e. in the situation where our debtors have filed for bankruptcy or have ceased operations).

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10.7.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 December 2018 is as follows:

		Exceeding credit period			
	Within credit term	**1 to 30 days past due**	**31 to 60 days past due**	**More than 60 days past due**	**Total**
Trade payables (RM'000)	9,614	1,624	49	-	11,287
% of total trade payables (%)	85.2	14.4	0.4	-	100.0
Subsequent payments up to the LPD (RM'000)	9,614	1,624	49	-	11,287
Trade payables net of subsequent payments (RM'000)	-	-	-	-	-
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	-	-	-	-	-
Turnover period (Days)					101

The normal credit terms granted by our trade creditors to our Group are between 30 to 120 days from the date of invoice.

For the past 4 FYE 2015 to 2018 under review, the trade payables turnover period ranges around 65 days to 101 days, which is within the credit terms granted by our suppliers.

In FYE 2016, our trade payable turnover period increased to 94 days from 65 days in FYE 2015 as a result of higher purchases of raw materials (steel plates and steel pipes) and supplies for the anticipated increase of our Group's raw material and supplies requirement and steel prices in the forthcoming financial year. Our suppliers of raw materials (steel plates and steel pipes) generally grant us longer credit terms of up to 120 days.

Our trade payable turnover period remained constant between FYE 2016 and FYE 2017 of 94 days and 97 days respectively.

Our trade payable turnover period increased from 97 days in FYE 2017 to 101 days in FYE 2018 mainly due to amount owing to 2 of our major suppliers for outdoor lighting products as we monitor the timing of payments to the said supplier as part of our cash flow management. As at the LPD, the said amount has been fully settled.

As at the LPD, there are no disputes in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment.

10.7.3 Inventories

Our inventories comprise raw materials (i.e. steel plates and steel pipes), work-in-progress (steel poles that are yet to be galvanised) and finished goods (including completed standard street light poles, decorative light poles and specialty poles as well as outdoor lighting products).

10. FINANCIAL INFORMATION *(Cont'd)*

A summary of our inventories for the past FYE 2015 to 2018 and as at 31 March 2019 are set out below:

	Audited				Unaudited
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**	**As at 31 March 2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Raw materials	**1,089**	**1,335**	**7,221**	**6,021**	**8,668**
Work-in-progress	**866**	**1,111**	**466**	**2,021**	**1,437**
- *Standard street light poles*	*798*	*1,025*	*412*	525	*164*
- *Decorative light poles*	-	-	-	920	*693*
- *Specialty poles*	*68*	*86*	*54*	576	*580*
Finished goods	**26**	**150**	**1,348**	**1,665**	**2,526**
- *Standard street light poles*	*26*	*54*	*781*	559	*755*
- *Decorative light poles*	-	-	-	90	*105*
- *Specialty poles*	-	-	-	148	*831*
- *Supplies (trading segment)*	-	*96*	*567*	868	*835*
Total	**1,981**	**2,596**	**9,035**	**9,707**	**12,631**
Cost of sales	34,163	31,947	40,552	42,768	11,200
Inventories turnover (days)	20	26	52	80	90

As part of our objective to ensure timely delivery of our products to our customer, we normally stock up certain work-in-progress (usually standard street light poles) and finished products (typically outdoor lighting products) as and when there is an anticipation of order for the said products based on the feedback from our marketing activities. This is mainly to ensure smooth operation and minimal disruption to our manufacturing operations and shorter delivery lead time. Besides, we also constantly monitor the market steel prices and stock up on raw materials such as steel plates in order to minimise our exposure to the fluctuation in steel prices. We usually stock up on our inventories based on the anticipation of increased order from our customers as well as an increase in steel market prices (for raw materials). We have a policy to maintain between 2 to 3 months of raw materials requirements (based on purchase order received and feedback from our marketing activities) for our manufacturing operation.

Our finished standard street light poles, decorative light poles and specialty poles that are kept as inventories are typically products that are awaiting to be delivered to our customers. We typically do not stock up on finished steel pole products as all of our finished goods are manufactured based on specification required by our customers, which is different from order to order basis.

We perform stocktake and conduct management meeting to review the stockholding level and inventory ageing analysis on a quarterly basis. Approval is required from authorised personnel at management level for replenishment of stocks and impairment on slow moving, obsolete and defected stocks. Impairment of stock is made under the following circumstances:

(i) if the stock (mainly raw materials and supplies) are defected and refund from suppliers are unlikely; or

(ii) obsolete and slow moving stocks that have been idle and stored for more than 1 year.

Our inventory turnover period increased from 20 days in FYE 2015 to 26 days in FYE 2016 as our inventories of raw materials and work-in-progress increases. The increase in inventories of raw materials and work-in-progress is mainly due to the increase in storage space from our relocation to Main Manufacturing Facility in April 2016 and the stocking up of raw material as a result of the anticipation for increased order due to the positive feedbacks from our marketing activities and higher steel prices in FYE 2017.

The higher inventory turnover period for FYE 2017 of 52 days was mainly due to the stock up on raw materials comprising steel plates and steel pipes in view of the expansion in our storage area in FYE 2017 and anticipation of steel price increase in 2018 based on feedback from our suppliers.

In FYE 2018, our inventory turnover period increased to 80 days mainly due to an increase in the work-in-progress inventory level of orders received for decorative light poles and specialty poles. The balance of work-in-progress inventory for decorative light poles and specialty poles as at the LPD and subsequent to the delivery on our customers' order amounted to RM1.21 million.

10.7.4 Current ratio

Our current ratio, current assets and current liabilities as at the end of the financial years under review are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current assets	16,177	25,641	34,615	39,251
(Current liabilities)	(13,727)	(14,463)	(19,757)	(15,304)
Net current assets	**2,450**	**11,178**	**14,858**	**23,947**
Current ratio (times)	1.18	1.77	1.75	2.56

Our current ratio ranges from 1.18 times to 2.56 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.

10.7.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
Total borrowings (RM'000)	5,413	12,170	18,750	17,623
Total equity (RM'000)	13,606	19,487	27,524	36,831
Gearing ratio (times)	0.40	0.62	0.68	0.48

Our gearing ratio ranges around 0.40 times to 0.68 times for the financial years under review.

In FYE 2016, our gearing ratio increased from 0.40 times as at FYE 2015 to 0.62 times mainly due to the increase in our total borrowings from the drawdown of term loans to finance, amongst other, the construction works of our Main Manufacturing Facility and the milestone payment for the purchase of Alam Puchong Land that are under development.

In FYE 2017, our gearing ratio increased from 0.62 times as at FYE 2016 to 0.68 times as our total borrowings increased to RM18.75 million due to the drawdown of multiple term loans during the year to finance, amongst others, the purchase of Adjacent Land and the final milestone payment for the purchase of Alam Puchong Land.

Our total borrowings in FYE 2018 of RM17.62 million is lower than our total borrowings of RM18.75 million recorded in FYE 2017 while our total equity attributable to the owners of the Company increased from RM27.52 million to RM36.83 million during the same period due to the PAT of RM8.54 million recorded in FYE 2017. This resulted in a lower gearing ratio of 0.48 times as compared to 0.68 times in FYE 2017.

10.8 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

During the financial years under review, prices of our raw materials have been subject to changes in government regulation. As an illustration, the Government of Malaysia had announced a progressive liberalisation of hot rolled steel plates, with a provisional safeguard duty imposed from July 2015 to July 2016 of 17.4%, July 2016 to July 2017 of 13.9% and July 2017 to July 2018 of 10.4%. The liberalisation of steel industry in Malaysia encouraged imports of hot rolled coil steel products (which includes steel plates), resulting in reduced steel plate prices, thus consequently leading to a decrease in our cost of goods sold.

Save from the abovementioned, 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.

10.9 IMPACT OF INFLATION

Our Group 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 as during the financial years under review, our PBT margin grew from 5.8% in FYE 2015 to 19.2% in FYE 2018. However, any significant increase of cost of sales in the future may adversely affect our operations and performance in the event we are unable to pass on higher costs to our customers through an increase in selling prices.

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10.10 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

10.10.1 Impact of foreign exchange rates

We are subjected to the risk of fluctuation in foreign exchange rates as we derive a portion of our sales that are denominated in foreign currency from our overseas customers. The following is the breakdown of our sales based on currency denomination throughout the financial years under review:

	Audited							
	FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales transacted in RM	34,991	86.3	36,857	83.1	56,325	92.7	59,000	92.7
Sales transacted in AUD	3,666	9.1	3,735	8.4	2,083	3.4	1,171	1.8
Sales transacted in USD	47	0.1	1,086	2.4	1,105	1.8	2,379	3.7
Sales transacted in SGD	1,836	4.5	2,696	6.1	1,234	2.1	599	0.9
Sales transacted in BND	-	-	-	-	-	-	400	0.6
Sales transacted in NZD	-	-	-	-	-	-	131	0.2
Total	**40,540**	**100.0**	**44,374**	**100.0**	**60,747**	**100.0**	**63,680**	**100.0**

For the financial years under review, our purchases that are denominated in foreign currencies ranged from 0.2% to 1.1% of our total purchases.

However, our financial performance for the financial years under review was not materially affected by the impact of foreign exchange rates. Further, we have recorded gain on foreign exchange during the financial years under review as follows:

	Audited			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
	RM'000	RM'000	RM'000	RM'000
Gain on foreign exchange	343	430	343	*

Note:

* Negligible

Moving forward, we may be subject to higher exposure to fluctuation in foreign exchange rates in view of the anticipated increase in overseas sales from our plan to expand our presence in overseas markets as stated in Section 6.19.

10.10.2 Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments given its profit before interest and tax. The interest coverage ratio for FYE 2015 to 2018 are as follows:

	Audited			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Interest coverage ratio (times)(1)	10.57	19.16	13.73	12.38

Note:

(1) Computed based on EBIT over finance costs for the financial years under review.

Our interest coverage ratio of between 10.57 to 19.16 times for the financial years under review indicates that our Group has been able to generate sufficient profits before interest and tax to meet our interest serving obligations.

In FYE 2018, our interest coverage ratio experienced a decrease from 13.73 times in FYE 2017 to 12.38 times in FYE 2018 due to the 18.8% increase in finance cost (from RM0.90 million in FYE 2017 to RM1.07 million in FYE 2018) mainly due higher interest expense on our term loan facilities arising from the purchase of new machinery and equipment in FYE 2018.

Our financial results for the financial years under review were not materially affected by fluctuations in interest rates. However, major increase in interest rates would raise the cost of borrowings and our finance costs for our purchases of raw materials, which may have an adverse effect on the performance of our Group.

10.10.3 Impact of commodity prices

Our Group is exposed to fluctuation in prices of steel material such as steel plates and steel pipes, all of which are affected by factors beyond our control, which amongst others, include the state of the global economy, the level of industrial development worldwide, competition in industrial production/levies imposition of import duties/levies and foreign currency fluctuations. Any increase in the price of raw materials will increase our cost of sales and ultimately, our profitability.

10.11 ORDER BOOK

Due to the nature of our business, our Group does not maintain an order book. Revenue is generated as and when we deliver our products to our customers. As at LPD, our outstanding and unfulfilled purchase orders amounted to approximately RM31.55 million, as detailed below:

	Countries			
	Malaysia	**Australia**	**Korea**	**Others[(1)]**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Standard street light poles	5,222	58	-	14
Decorative light poles	5,471	46	-	-
Specialty poles	6,714	-	6,565	-
Outdoor lighting products	7,460	-	-	-

Note:

(1) Includes Singapore and Myanmar.

The said purchase orders are expected to be fulfilled by the third quarter of 2019.

We generally agree on the delivery timeline with our customers before accepting any purchase orders. We do not accept purchase orders that we are unable to fulfil within the agreed timeline.

10.12 DIRECTORS' DECLARATION ON OUR FINANCIAL PERFORMANCE

Our Board is of the opinion that:

(a) Our revenue will remain sustainable with an upward growth trend, in line with the outlook of the street light pole industry as set out in the IMR Report;

(b) Our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our future plans as stated in Section 6.19; and

(c) Our financial resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arises.

In addition to the above, our Board is not aware of any circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

10.13 TREND INFORMATION

Based on our track record for the past financial years under review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

(a) For the past financial years under review, majority of our revenue was derived from the manufacturing segment. In view of our plan to expand our manufacturing segment as stated in Section 4.8.1 and 6.19 of this Prospectus, we expect the manufacturing segment to continue contributing significantly to our revenue in the future;

(b) The largest component of our cost of sales is raw material. The cost of raw material is dependent on global steel prices which are affected by factors beyond our control. As such, our cost of sales will fluctuate in tandem with the steel prices.

As at the LPD, 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 financial performance, position and operations, other than those discussed in this Section 6 and Section 8 of this Prospectus.

(b) Material commitments for capital expenditure as set out in Section 10.6.1 of this Prospectus;

(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 8 of this Prospectus; and

Our Board is optimistic about the future prospects of our Group given our competitive positions set out in Section 6.9 and our business strategies as set out in Section 6.19.

10.14 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 subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

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 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.

Dividends declared for the past FYE 2015 to 2018 are as follows:

	Audited			
	FYE 2015	**FYE 2016**	**FYE 2017**	**FYE 2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividends declared	-	-	500	-

10.15 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 31 March 2019 and after adjusting for the effects of the Acquisitions and Public Issue including the utilisation of proceeds from the Public Issue.

	Mestron Holdings	**I**	**II**	**III**
	As at 31 March 2019 (Unaudited)	**After Acquisitions**	**After I and Public Issue**	**After II and utilisation of proceeds**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capitalisation				
Total equity	(73)	36,349	61,629	58,529
Total capitalisation	**(73)**	**36,349**	**61,629**	**58,529**
Indebtness [(1)]				
Current				
Borrowings	-	1,140	1,140	977
Finance lease liabilities	-	797	797	797
Non-current				
Borrowings	-	14,934	14,934	11,097
Finance lease liabilities	-	752	752	752
Total indebtedness	**-**	**17,623**	**17,623**	**13,623**
Total capitalisation and indebtedness	**(73)**	**53,972**	**79,252**	**72,152**
Gearing ratio [(2)] (times)	-	0.48	0.29	0.23

Notes:

(1) All of our indebtedness are secured.

(2) Calculated based on total indebtedness divided by total capitalisation.

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Date: 2 May 2019

The Board of Directors
Mestron Holdings Berhad
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Seksyen 10
Taman Perindustrian Meranti Utama
47120 Puchong
Selangor Darul Ehsan

Grant Thornton Malaysia
(AF:0737)
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Dear Sirs,

Reporting Accountants' opinion on the financial information contained in the accountants' report of Mestron Holdings Berhad ("the Company" or "Mestron")

We have audited the financial information ("Financial Information") of Mestron Holdings Berhad and its subsidiaries (collectively "the Group") which comprises the combined statements of financial position of the Group as at 31 December 2015, 2016, 2017, 2018 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2015, 2016, 2017, 2018 and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 65.

In our opinion, the accompanying Financial Information give a true and fair view of the financial position of the Group as at 31 December 2015, 2016, 2017, 2018 and of its financial performance and cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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 Group 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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Responsibilities of the Directors for the Financial Information

The Directors of the Group are responsible for the preparation of the Financial Information of the Group that give a true and fair view in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"). The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of Financial Information of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Information of the Group, the Directors are responsible for assessing the Group's 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 intent to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibility for the Audit of Financial Information

Our objectives are to obtain reasonable assurance about whether the Financial Information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 International Standards on Auditing 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 International Standards on Auditing, 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 Group, 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 Group's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Financial Information of the Group 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Reporting Accountants' Responsibility for the Audit of Financial Information (cont'd)

We also (cont'd):-

- Evaluate the overall presentation, structure and content of the Financial Information of the Group, including the disclosures, and whether the Financial Information of the Group 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 Group to express and opinion on the Financial Information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate 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 identify during our audit.

Other matters

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 Mestron Holdings Berhad in connection with the listing of and quotation for the entire enlarged issued share capital of Mestron Holdings Berhad 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 (NO. AF: 0737) CHARTERED ACCOUNTANTS	LIAN TIAN KWEE (NO: 02943/05/2019 J) CHARTERED ACCOUNTANT

MESTRON HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	2015 RM	2016 RM	2017 RM	2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	15,972,219	19,175,288	29,419,791	23,135,620
Investment properties	6	-	-	-	1,355,210
Total non-current assets		15,972,219	19,175,288	29,419,791	24,490,830
Current assets					
Inventories	7	1,980,499	2,595,997	9,034,986	9,706,621
Trade receivables	8	11,491,345	16,909,904	18,273,255	22,545,244
Other receivables	9	965,377	3,922,612	1,936,666	3,016,232
Tax recoverable		706,316	42,361	36,960	52,454
Cash and bank balances		1,033,763	2,169,527	5,333,052	3,930,897
Total current assets		16,177,300	25,640,401	34,614,919	39,251,448
Asset held-for-sales	10	-	-	-	4,376,920
TOTAL ASSETS		32,149,519	44,815,689	64,034,710	68,119,198
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	11	2,600,000	3,200,000	3,200,000	3,200,002
Retained earnings		11,006,203	16,286,463	24,324,219	33,630,757
TOTAL EQUITY		13,606,203	19,486,463	27,524,219	36,830,759

The accompanying notes form an integral part of the financial statements.

MESTRON HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	2015 RM	2016 RM	2017 RM	2018 RM
EQUITY AND LIABILITIES (CONT'D)					
LIABILITIES					
Non-current liabilities					
Borrowings	12	4,086,963	9,175,240	15,374,019	14,933,783
Finance lease liabilities	13	568,995	1,222,357	1,088,764	752,473
Deferred tax liabilities	14	160,000	469,000	291,000	298,000
Total non-current liabilities		4,815,958	10,866,597	16,753,783	15,984,256
Current liabilities					
Trade payables	15	7,348,923	9,192,595	12,366,575	11,287,264
Other payables and accruals	16	2,641,388	269,348	1,008,163	1,946,134
Amount due to Directors	17	2,959,161	2,899,161	1,799,161	14,500
Borrowings	12	435,984	1,110,062	1,652,394	1,139,601
Finance lease liabilities	13	320,948	662,998	634,715	797,025
Dividend payable	26	-	-	500,000	-
Tax payable		20,954	328,465	1,795,700	119,659
Total current liabilities		13,727,358	14,462,629	19,756,708	15,304,183
Total liabilities		18,543,316	25,329,226	36,510,491	31,288,439
TOTAL EQUITY AND LIABILITIES		32,149,519	44,815,689	64,034,710	68,119,198

The accompanying notes form an integral part of the financial statements.

MESTRON HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2015 RM	2016 RM	2017 RM	2018 RM
Revenue	18	40,540,598	44,373,958	60,747,287	63,680,038
Cost of sales		(34,163,276)	(31,946,575)	(40,552,024)	(42,767,840)
Gross profit		6,377,322	12,427,383	20,195,263	20,912,198
Other operating income	19	833,250	492,284	396,770	627,788
Selling and distribution expenses		(428,424)	(584,067)	(868,589)	(936,233)
Administrative expenses		(4,114,812)	(4,725,511)	(6,683,588)	(7,058,819)
Other operating expenses		(52,674)	(55,541)	(637,665)	(270,113)
Finance costs	20	(247,073)	(393,684)	(902,316)	(1,072,325)
Profit before tax	21	2,367,589	7,160,864	11,499,875	12,202,496
Tax expense	22	(191,369)	(1,880,604)	(2,962,119)	(2,895,958)
Profit for the financial years		2,176,220	5,280,260	8,537,756	9,306,538
Other comprehensive income		-	-	-	-
Total comprehensive income for the financial years		2,176,220	5,280,260	8,537,756	9,306,538
Earnings per share					
- Basic (sen)	23	1.98	1.71	2.67	2.91
- Diluted (sen)	23	*	*	*	*

* Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

The accompanying notes form an integral part of the financial statements.

MESTRON HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital RM	Retained earnings RM	Total RM
Balance at 1 January 2015		1,100,000	8,829,983	9,929,983
Total comprehensive income for the financial year		-	2,176,220	2,176,220
Transaction with owners:-				
Issuance of ordinary shares		1,500,000	-	1,500,000
Balance at 31 December 2015		2,600,000	11,006,203	13,606,203
Total comprehensive income for the financial year		-	5,280,260	5,280,260
Transaction with owners:-				
Issuance of ordinary shares	11	600,000	-	600,000
Balance at 31 December 2016		3,200,000	16,286,463	19,486,463
Total comprehensive income for the financial year		-	8,537,756	8,537,756
Transaction with owners:-				
Dividend to owners of the Company	26	-	(500,000)	(500,000)
Balance at 31 December 2017		3,200,000	24,324,219	27,524,219
Total comprehensive income for the financial year		-	9,306,538	9,306,538
Transaction with owners:-				
Issuance of ordinary shares	11	2	-	2
Balance at 31 December 2018		3,200,002	33,630,757	36,830,759

The accompanying notes form an integral part of the financial statements.

MESTRON HOLDINGS BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

	Note	2015 RM	2016 RM	2017 RM	2018 RM
OPERATING ACTIVITIES					
Profit before tax		2,367,589	7,160,864	11,499,875	12,202,496
Adjustments for:-					
Allowance for obsolete inventories		-	-	244,741	-
Impairment loss on receivables		-	-	384,535	125,574
Amortisation of investment property		-	-	-	18,308
Bad debts recovered		(22,000)	(7,171)	-	-
Bad debts written off		15,596	44,276	-	38,767
Depreciation of property, plant and equipment		756,485	1,162,109	1,404,048	1,469,562
Interest expenses		247,073	393,684	902,316	1,072,325
Interest income		(2,590)	(5,770)	(20,772)	-
Gain on disposal of property, plant and equipment		(407,581)	-	(21,999)	(51,407)
Reversal of impairment loss on trade receivables		(56,261)	(44,276)	-	(256,558)
Reversal of allowance for obsolete inventories		-	-	-	(244,741)
Operating profit before working capital changes		2,898,311	8,703,716	14,392,744	14,374,326
Changes in working capital:-					
Inventories		(180,046)	(615,498)	(6,683,730)	(426,894)
Receivables		(1,900,412)	(8,362,853)	258,832	(5,259,338)
Payables		4,525,812	(528,369)	3,924,460	(141,340)
Cash generated from/(used in) operations		5,343,665	(803,004)	11,892,306	8,546,754
Tax refunded		50,165	391,621	129,452	27,235
Tax paid		(912,555)	(991,758)	(1,808,600)	(4,607,728)
Net cash from/(used in) operating activities		4,481,275	(1,403,141)	10,213,158	3,966,261

The accompanying notes form an integral part of the financial statements.

MESTRON HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	2015 RM	2016 RM	2017 RM	2018 RM
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(7,144,100)	(2,909,198)	(11,107,502)	(1,785,280)
Proceeds from disposal of property, plant and equipment		3,616,040	-	22,000	1,619,298
Net cash used in investing activities		(3,528,060)	(2,909,198)	(11,085,502)	(165,982)
FINANCING ACTIVITIES					
Repayment of finance lease liabilities		(233,859)	(460,568)	(702,926)	(892,421)
Dividend paid		-	-	-	(500,000)
Advance from/(Repayment to) Directors		316,461	(60,000)	(1,100,000)	(1,784,661)
Drawdown of borrowings		1,914,472	8,060,914	7,940,349	5,089,000
Repayment of borrowings		(3,383,239)	(2,298,559)	(1,199,238)	(6,042,029)
Interest paid		(247,073)	(393,684)	(902,316)	(1,072,325)
Issuance of shares		1,500,000	600,000	-	2
Net cash (used in)/from financing activities		(133,238)	5,448,103	4,035,869	(5,202,434)
CASH AND CASH EQUIVALENTS					
Net changes		819,977	1,135,764	3,163,525	(1,402,155)
At the beginning of the financial years		213,786	1,033,763	2,169,527	5,333,052
At the end of the financial years		1,033,763	2,169,527	5,333,052	3,930,897

NOTES TO THE STATEMENT OF CASH FLOWS

A Purchase of Property, Plant and Equipment

The Group acquired property, plant and equipment with an aggregate cost of RM2,503,720 (2017: RM11,648,552; 2016: RM4,365,178; 2015: RM8,044,100) of which RM718,440 (2017: RM541,050; 2016: RM1,455,980; 2015: RM900,000) was acquired by means of finance lease arrangement. Cash payment of RM1,785,280 (2017: RM11,107,502; 2016: RM2,909,198; 2015: RM7,144,100) was made to purchase of property, plant and equipment.

The accompanying notes form an integral part of the financial statements.

MESTRON HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL INFORMATION

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 Mestron Holdings Berhad ("Mestron") in connection with the listing of and quotation for the entire enlarged issued share capital of Mestron 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 18 May 2018 as a public limited liability company and domiciled in Malaysia. The registered office is located at Suite 10.02, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Compaaaany is located at PT 50102, Jalan MU 1/9, Seksyen 10, Taman Perindustrian Meranti Utama, 47120 Puchong, Selangor Darul Ehsan.

1.3 Share capital

Issued share capital

The changes in Mestron's issued share capital since its date of incorporation and up to 2 April 2019 are as follows:-

Date of issue	Purpose of issue	Class of shares	Number of shares	Term of issue
18 May 2018	Subscribers' shares	Ordinary shares	2	Cash

1.4 Principal activities

Mestron's principal activities are investment holding and provision of management services.

The subsidiaries of Mestron as of the date of this report are as follows:-

Name of company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation
Subsidiaries				
Mestron Engineering Sdn. Bhd. ("MESB")	100%	Manufacturing of steel poles as well as trading of outdoor lighting products.	10 September 2002	Malaysia

1. GENERAL INFORMATION (CONT'D)

1.4 Principal activities (cont'd)

The subsidiaries of Mestron as of the date of this report are as follows (cont'd):-

Name of company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation
Subsidiaries of MESB				
Max Lighting Solution Sdn. Bhd. ("MLSSB")	100%	Trading of outdoor lighting products.	26 February 2016	Malaysia
Meslite Sdn. Bhd. ("MSB")	100%	Manufacturing of decorative compound light poles.	7 June 2010	Malaysia

There was no significant change in the nature of the principal activities of Mestron and its subsidiaries during the financial years ended 31 December 2015, 31 December 2016, 31 December 2017 and 31 December 2018 under audit of this report.

1.5 The Acquisitions

Acquisition under MESB

(a) On 16 March 2018, a subsidiary, MESB acquired 140,000 ordinary shares of RM1.00 each, representing 70% equity interest in MLSSB for a total cash consideration of RM140,000.

(b) On 3 April 2018, a subsidiary, MESB acquired 300,000 ordinary shares of RM1.00 each, representing 60% equity interest in MSB for a total cash consideration of RM300,000.

(c) On 22 January 2019, a subsidiary, MESB entered into share sale agreements ("Agreements") to acquire the remaining 30% and 40% equity interest in MLSSB and MSB from its minority interest shareholders for a cash consideration of RM134,907 and RM358,320 respectively.

Upon successful of the acquisition, MLSSB and MSB will become wholly-owned subsidiary of MESB.

Acquisition under Mestron

The Mestron Group will be formed pursuant to the completion of the following acquisition by Mestron subsequent to the listing and quotation on the Ace Market of Bursa Malaysia Securities Berhad.

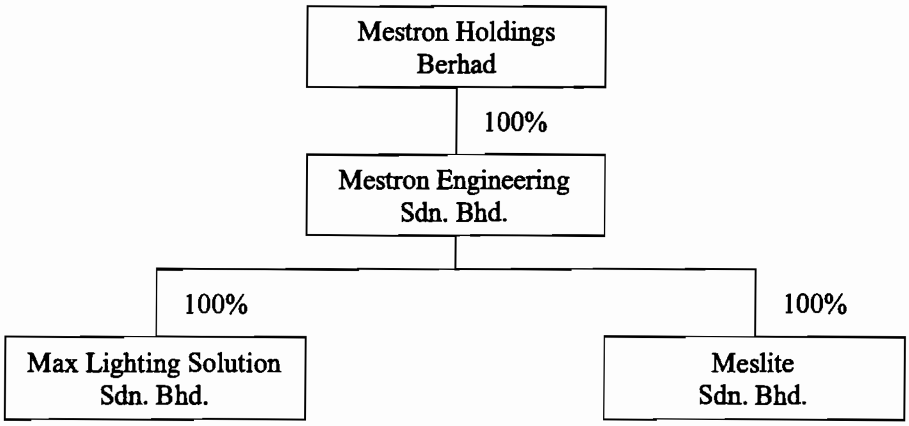
Mestron acquired the entire issued share capital of MESB comprising 2,500,000 ordinary shares. ("Acquisition")

The aggregate purchase consideration for the above Acquisitions was RM31,599,999.90 satisfied by the issuance of 631,999,998 new shares at its indicative value of RM0.05 per share.

1. GENERAL INFORMATION (CONT'D)

1.5 The Acquisitions (cont'd)

Following the completion of the Acquisition, the Group adopted the current structure as follows:-



Note: All the companies are incorporated in Malaysia.

The Group is regarded as a continuing entity resulting from the Acquisition since the management of all the entities which took major part in the Acquisition were controlled substantially same major shareholders before and immediately after the Acquisition. Consequently, immediately after the Acquisition, there was a continuation of the control over the entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the Acquisition. The Acquisition has been accounted for as an Acquisition under common control in a manner similar to pooling of interests. Accordingly, the Financial Information for the financial years ended 31 December 2015, 2016, 2017, 2018 have been prepared on the basis of merger accounting and comprise the financial statements of the subsidiaries which were under common control of the ultimate shareholders that existed prior to the Acquisition during the relevant periods or since their respective dates of incorporation. No financial information of Mestron Holdings Berhad was included for the financial years ended 31 December 2015, 2016 and 2017 as Mestron Holdings Berhad was only incorporated on 18 May 2018.

2. RELEVANT FINANCIAL YEARS/PERIOD

The relevant financial years/period of the audited financial statements presented for the purpose of this report ("Relevant Financial Years/Period") and the statutory auditors of the respective companies within the Group are as follows:-

Company	**Relevant Financial Years/Period**	**Auditor**
Mestron Holdings Berhad	Financial period from 18 May 2018 (Date of incorporation) to 31 December 2018	Grant Thornton Malaysia

2. RELEVANT FINANCIAL YEARS/PERIOD (CONT'D)

The relevant financial years of the audited financial statements presented for the purpose of this report ("Relevant Financial Years/Period") and the statutory auditors of the respective companies within the Group are as follows (cont'd):-

Company	Relevant Financial Years/Period	Auditor
Mestron Engineering Sdn. Bhd.	FYE 31 December 2015	KCSM
	FYE 31 December 2016	KCSM
	FYE 31 December 2017	Grant Thornton Malaysia
	FYE 31 December 2018	Grant Thornton Malaysia
Max Lighting Solution Sdn. Bhd.	Financial period from 26 February 2016 (Date of incorporation) to 31 December 2016	KCSM
	FYE 31 December 2017	Grant Thornton Malaysia
	FYE 31 December 2018	Grant Thornton Malaysia
Meslite Sdn. Bhd.	FYE 30 June 2015	Selva & Associates
	FYE 30 June 2016	Selva & Associates
	FYE 30 June 2017	Selva & Associates
	Financial period from 1 July 2017 to 31 December 2017	Grant Thornton Malaysia
	FYE 31 December 2018	Grant Thornton Malaysia

The audited financial statements of all the companies within the Group for the Relevant Financial Years/Period reported above were not subject to any qualification or modification.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

3.1 Statement of compliance

The Combined Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") 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 consists 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 Company, 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 positions, results of operations and cash flows of the combining entities during the reporting years.

The combining entities adopted MFRS and IFRS during the financial years 31 December 2015, 2016, 2017 and 2018.

Consequently, comparative information for the financial year ended 31 December 2015, and opening MFRS statement of financial position as at 1 January 2015 have been restated accordingly in the financial statements of each of the combining entities.

3. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**

3.2 **Basis of measurement**

The Combined Financial Statements of the Group are prepared under 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 and its measurement assumes 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 Group.

The fair value of an asset or a liability is measured on the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the 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.

3.3 **Functional and presentation currency**

The Combined Financial Statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

3.4 Adoption of Amendments/Improvements to MFRSs

The Group has consistently applied the accounting policies set out in Note 4 to the financial statements to all periods presented in these financial statements.

At the beginning of current financial year, the Group adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2018.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:-

MFRS 9 Financial Instrument

The adoption of this Standard resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group. In accordance with the transition requirements under paragraph 7.2.15 of this Standard, comparatives are not restated and the financial impact on the adoption of this Standard is recognised in retained earnings as at 1 January 2018.

i. Changes in accounting policies

Financial assets

The Group classifies their financial assets into the following measurement categories depending on the Group's business model for managing the financial assets and the terms of contractual cash flows of the financial assets:-

i. Those to be measured at amortised cost ("AC"); and
ii. Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:-

i. The Available-For-Sale ("AFS"), Held-To-Maturity ("HTM") and loans and receivables ("L&R") financial asset categories were removed.
ii. A new financial asset category measured at amortised cost was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows only.
iii. A new financial asset category measured at Fair Value Through Other Comprehensive Income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
iv. A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

3. **BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)**

3.4 **Adoption of Amendments/Improvements to MFRSs (cont'd)**

MFRS 9 Financial Instrument (cont'd)

i. Changes in accounting policies (cont'd)

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9 *Financial Instruments* requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139 *Financial Instruments: Recognition and Measurement.*

The key changes in relation to impairment of financial assets are as follows:-

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive.

The Group applies a two-step approach to measure the ECL:-

(i) <u>12-months ECL</u>

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occuring within the next 12 months considering the loss given default of that financial asset.

(ii) <u>Lifetime ECL</u>

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

Cash and bank balances

At each financial year end, the Group assesses whether there is a significant increase in credit risk for cash and bank balances since initial recognition by comparing the risk of default on this financial asset as at the financial year end with the risk of default as at the date of initial recognition. The Group considers external credit rating and other supportive information to assess deterioration in credit quality of this financial asset.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

3.4 Adoption of Amendments/Improvements to MFRSs (cont'd)

MFRS 9 Financial Instrument (cont'd)

i. Changes in accounting policies (cont'd)

Trade and other receivables which are financial assets

The Group applies the simplified approach prescribed by MFRS 9 *Financial Instruments*, which requires a lifetime ECL to be recognised from initial recognition of the trade and other receivables which are financial assets.

ii. Classification and measurement

Trade receivables, other receivables which are financial assets, cash and bank balances that have previously been classified as loans and receivables are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Classification of the Group's financial liabilities remained unchanged. Financial liabilities consisting of trade payables, other payables, amount due to Directors, finance lease liabilities and borrowings which are financial liabilities, continue to be measured at amortised cost.

There is no impact on the measurement of the Group's statement of financial position from MFRS 139 Financial Instruments: Recognition and Measurement to MFRS 9 Financial Instruments as at 1 January 2018.

MFRS 15 Revenue from Contracts with Customers

MFRS 15 supersedes MFRS 111 Construction Contracts, MFRS 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. MFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted MFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group expects no impact on its statement of financial position.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

3.5 Standards issued but not yet effective

At the date of authorisation of these Combined Financial Statements, certain new standards, amendments and interpretations to existing standards have been published by the MASB but are not yet effective, and have not been early adopted by the Group.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to have impact on the Group's Combined Financial Statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's Combined Financial Statements.

The initial application of the above standards, amendments and interpretation are not expected to have any financial impacts to the Combined Financial Statements, except for:-

MFRS 16 Leases – effective 1 January 2019

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognised assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group is required to account for major part of their operating leases in the combined statements of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group.

The Group is currently assessing the financial impact of adopting MFRS 16.

3.6 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 Group's 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 judgements, estimates and assumptions made by the 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:-

3.6.1 Estimation uncertainty

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 carrying amount of the Group's inventories at the end of the reporting period are disclosed in Note 7 to the Combined Financial Statements.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

3.6 Significant accounting estimates and judgements (cont'd)

3.6.1 Estimation uncertainty (cont'd)

Useful lives of depreciable assets

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be within 5 to 96 years and reviews the useful lives of depreciable assets at end each of each reporting period. At 31 December 2018, management assesses that the useful lives represent the expected utility of the assets to the Group. Actual results, however, may vary due to change in the expected level of usage and technological developments, which may result in the adjustment to the Group's assets.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 5 to the Combined Financial Statements.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on common credit risk characteristic which are days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., mortality rate) are expected to increase over the next year which can lead to an increased number of defaults, 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 ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's 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 ECLs on the Group's trade receivables is disclosed in Note 29.2(a).

Income taxes and deferred tax liabilities

Estimation is involved in determining the Group's 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 Group recognises tax 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.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

3.6 Significant accounting estimates and judgements (cont'd)

3.6.2 Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the Combined Financial Statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. The Group accounts for the portions separately if the portions could be sold separately (or leased out separately under a finance lease). If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Leases

In applying the classification of leases in MFRS 117, management considers some of its leases of leasehold land as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group to the periods presented in these Combined Financial Statements, unless otherwise stated.

4.1 Consolidation

4.1.1 Subsidiary companies

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Company 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.

Investment in subsidiary companies is stated at cost less any impairment losses in the Company's statements 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 proceed and its carrying amount is included in profit or loss.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.1 **Consolidation (cont'd)**

4.1.2 **Basis of consolidation**

Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the 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.

The Group's Financial Information consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of the subsidiary companies have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The Combined Financial Statements of the Company and its subsidiary companies are all drawn up to the same reporting date.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the 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 non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. 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 other capital reserves.

4.1.3 **Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests 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 Group retains 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 equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 Consolidation (cont'd)

4.1.4 Non-controlling interest

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the combined statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the combined statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

4.2 Foreign currency translation 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 with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising in translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).

4.3 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. 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 Group and the cost of the item can be measured reliably.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.3 **Property, plant and equipment (cont'd)**

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing 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 life.

Freehold land with an infinite life is not depreciated. Other property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Freehold and leasehold building	2%
Leasehold land	67 to 96 years
Office equipment	10% to 20%
Computer and software	10% to 33.33%
Office renovation	10% to 20%
Tools and machinery	14% to 20%
Furniture and fittings	10%
Motor vehicles	20%

Capital work-in-progress consists of buildings and plant and machinery under construction/ installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under construction/installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until it is completed and ready for their intended use.

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.

4.4 **Investment Properties**

Investment properties consist of land and buildings held for capital appreciation or rental purpose and not occupied or only an insignificant portion is occupied for use or in the operations of the Group.

Investment properties are treated as long term investments and are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognised on the straight line method in order to write off the cost of each investment property over its estimated useful life. Freehold land is not amortised.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.4 **Investment Properties (cont'd)**

The principal annual depreciation rates used are as follows:-

Freehold building	2%

Investment properties are derecognised when either they are disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal.

Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the financial year of retirement or disposal.

Investment properties are written down to recoverable amount if, there is objective evidence that, it is less than their carrying value. Recoverable amount is the net selling price of the properties i.e. the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

4.5 **Asset held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Classification of the asset as held for sale occurs only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary and the sale must be highly probable. Management must be committed to a plan to sell the assets which are expected to qualify for recognition as a completed sale within one year from the date of classification. Action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or the plan will be withdrawn.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

4.6 **Inventories**

Inventories comprise raw material, work-in-progress and finished goods.

Inventories are valued at the lower of cost and net realisable value. Cost is determined based on the weighted average basis.

Cost of inventories comprises aggregate cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to be incurred in marketing, selling and distribution.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.7 **Financial Instruments**

4.7.1 **Initial Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

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 expires.

4.7.2 **Classification and initial measurement of financial assets**

Accounting policies applied from 1 January 2018

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.

Financial assets other than those designated and effective as hedging instruments, are classified into the following categories:-

(a) amortised cost;
(b) fair value through profit or loss ("FVTPL"); and
(c) fair value through other comprehensive income ("FVOCI").

In the periods presented the corporation does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:-

(a) the entity's business model for managing financial asset; and
(b) 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.

4.7.3 **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):-

(a) they are held within a business model whose business objective is to hold the financial assets and collect its contractual cash flows; and

(b) 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.

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 Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.7 **Financial Instruments (cont'd)**

4.7.3 **Subsequent measurement of financial assets**

Accounting policies applied until 31 December 2017

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition: -

(a) Financial assets at fair value through profit or loss;
(b) Held-to-maturity investments;
(c) Loans and receivables; and
(d) Available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each end of the reporting period. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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.

At the reporting date, the Group carries only loans and receivables on its statements of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets 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, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the end of the reporting period which are classified as non-current.

4.7.4 **Impairment of financial assets**

Accounting policies applied from 1 January 2018

MFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss model'. This replaces MFRS 9's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under MFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.7 **Financial Instruments (cont'd)**

4.7.4 **Impairment of financial assets (cont'd)**

Accounting policies applied from 1 January 2018 (cont'd)

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:-
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Accounting policies applied until 31 December 2017

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable date indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.7 **Financial Instruments (cont'd)**

4.7.4 **Impairment of financial assets (cont'd)**

Accounting policies applied until 31 December 2017 (cont'd)

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

4.7.5 **Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 39, the Group's financial liabilities was not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include trade and other payables, amount due to Directors, borrowing and finance lease liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method expect for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 Financial Instruments (cont'd)

4.7.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the combined statements 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.

4.7.7 Impairment of non-financial assets

At each reporting date, the Group reviews carrying amounts of its non-financial assets to determine whether there is any indication of impairment. Non-financial assets is tested for impairment at least once annually 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 of continuing operations 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, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

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 unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through profit or loss is treated as revaluation increase. 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

4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transactions cost. Ordinary shares are classified as equity.

Retained earnings include all current and prior years retained earnings.

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained earnings.

All transactions with owners of the parent are recorded separately within equity.

4.10 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 Group 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 end of the reporting period 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 value 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.

4.11 Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

4.11.1 Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.11 **Lease (cont'd)**

4.11.2 **Operating lease**

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the combined statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.12 **Revenue recognition**

The Group is in the business of manufacturing and trading in steel and lighting products. Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Sale of goods

Revenue relating to sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Transaction price of the sales of goods will be net of sales returns and discount.

Interest income

Interest income is recognised in profit or loss as it accrues taking into account the effective yield on the asset.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

4.13 **Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets during the period of time that is necessary to complete and prepare the asset for its intended use or sale.

All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

4.14 **Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.14 **Tax expense (cont'd)**

4.14.1 **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 by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Current tax is recognised in the combined statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).

4.14.2 **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 statements 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.

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.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

4.15 **Goods and service tax**

Goods and Services Tax ("GST") is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate. Input GST that the Group paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST included.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 Goods and service tax (cont'd)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

The Malaysian Government has zero rated the GST effective from 1 June 2018. This mean the GST rate on the supplies of goods or services or on the importation of goods has been revised from 6% to 0%.

The GST will be replaced with the Sales and Services Tax effective from 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for services tax is fixed at 6%.

4.16 Sales and service tax

Expenses and assets are recognised net of the amount of sales and service tax, except:-

- When the sales and service tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales and service tax is recognised as part of the cost of acquisition of the asset or as part of the expenses item, as applicable

- When receivables and payables are stated with the amount of sales and service tax included.

The net amount of sales and service tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.17 Employee benefits

4.17.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by 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.

4.17.2 Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate 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, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

4.18 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 statements 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.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.19 **Related parties**

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(i) A person or a close member of that person's family is related to the Group if that person:-

(a) has control or joint control over the Group;
(b) has significant influence over the Group; or
(c) is a member of the key management personnel of the holding Group of the Group, or the Group.

(ii) An entity is related to the Group if any of the following conditions applies:-

(a) the entity and the Group are members of the same group.
(b) one entity is an associate or joint venture of the other entity.
(c) both entities are joint ventures of the same third party.
(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(e) the entity is a post-employment benefit plan for the benefits of employees of either the to the Group or an entity related to the Group.
(f) the entity is controlled or jointly-controlled by a person identified in (i) above.
(g) a person identified in (i)(a) above has significant influence over the entity or is a member of the key management personnel of the (or of the parent of the entity); or
(h) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the parent of the Group.

4.20 **Segmental results**

4.20.1 **Operating segment**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All opening 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.

4.20.2 **Intersegment transfer**

Segment revenues, expenses and result include transfers between segments. The prices charges on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity in negotiated term. These transfers are eliminated on consolidation.

4. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

4.21 **Earnings per share**

(i) Basic

Basic earnings per share for the year is calculated by dividing the net profit for the year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue.

(ii) Diluted

Diluted earnings per share is calculated by dividing the net profit for the 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 Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and building	Leasehold land and building	Office equipment	Computer and software	Office renovation	Tools and machinery	Furniture and fittings	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost										
At 1 January 2015	1,664,364	4,141,407	60,524	99,328	33,452	2,204,904	52,780	2,024,275	5,200,826	15,481,860
Additions	-	-	3,010	4,419	-	537,350	115,070	1,499,774	5,884,477	8,044,100
Disposals	-	(3,120,516)	-	-	-	-	-	(705,358)	-	(3,825,874)
At 31 December 2015	1,664,364	1,020,891	63,534	103,747	33,452	2,742,254	167,850	2,818,691	11,085,303	19,700,086
Additions	-	-	32,627	66,895	-	1,352,830	45,509	441,270	2,426,047	4,365,178
Reclassification	-	9,569,733	-	-	-	-	-	-	(9,569,733)	-
At 31 December 2016	1,664,364	10,590,624	96,161	170,642	33,452	4,095,084	213,359	3,259,961	3,941,617	24,065,264
Additions	2,830,000	6,850,000	31,517	20,342	18,795	188,000	11,832	363,645	1,334,421	11,648,552
Disposals	-	-	-	-	-	-	-	(84,934)	-	(84,934)
Reclassification	-	4,467,166	-	-	-	-	-	-	(4,467,166)	-
At 31 December 2017	4,494,364	21,907,790	127,678	190,984	52,247	4,283,084	225,191	3,538,672	808,872	35,628,882
Additions	-	58,904	20,606	54,271	432,385	862,085	4,339	857,447	213,683	2,503,720
Disposals	-	(1,588,131)	-	-	-	-	-	(429,399)	-	(2,017,530)
Transfer to asset held-for-sales	-	(4,467,166)	-	-	-	-	-	-	-	(4,467,166)
Transfer to investment properties	(1,664,364)	-	-	-	-	-	-	-	-	(1,664,364)
At 31 December 2018	2,830,000	15,911,397	148,284	245,255	484,632	5,145,169	229,530	3,966,720	1,022,555	29,983,542

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Freehold land and building	Leasehold land and building	Office equipment	Computer and software	Office renovation	Tools and machinery	Furniture and fittings	Motor vehicles	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Accumulated depreciation										
At 1 January 2015	207,708	82,759	47,839	82,369	24,854	1,855,081	37,974	1,250,213	-	3,588,797
Charge during the financial year	24,199	14,815	4,947	9,625	2,094	183,877	15,985	500,943	-	756,485
Disposal	-	(53,129)	-	-	-	-	-	(564,286)	-	(617,415)
At 31 December 2015	231,907	44,445	52,786	91,994	26,948	2,038,958	53,959	1,186,870	-	3,727,867
Charge during the financial year	24,199	172,549	9,272	29,636	2,094	330,024	19,992	574,343	-	1,162,109
At 31 December 2016	256,106	216,994	62,058	121,630	29,042	2,368,982	73,951	1,761,213	-	4,889,976
Charge during the financial year	79,789	338,371	15,068	30,303	3,976	324,455	20,609	591,477	-	1,404,048
Disposals	-	-	-	-	-	-	-	(84,933)	-	(84,933)
At 31 December 2017	335,895	555,365	77,126	151,933	33,018	2,693,437	94,560	2,267,757	-	6,209,091
Change during the financial year	39,851	333,868	14,536	39,924	15,481	374,793	19,958	631,151	-	1,469,562
Disposals	-	(117,685)	-	-	-	-	-	(331,954)	-	(449,639)
Transfer to asset held-for-sales	-	(90,246)	-	-	-	-	-	-	-	(90,246)
Transfer to investment properties	(290,846)	-	-	-	-	-	-	-	-	(290,846)
At 31 December 2018	84,900	681,302	91,662	191,857	48,499	3,068,230	114,518	2,566,954	-	6,847,922
Net carrying amount										
At 31 December 2018	2,745,100	15,230,095	56,622	53,398	436,133	2,076,939	115,012	1,399,766	1,022,555	23,135,620
At 31 December 2017	4,158,469	21,352,425	50,552	39,051	19,229	1,589,647	130,631	1,270,915	808,872	29,419,791
At 31 December 2016	1,408,258	10,373,630	34,103	49,012	4,410	1,726,102	139,408	1,498,748	3,941,617	19,175,288
At 31 December 2015	1,432,457	976,446	10,748	11,753	6,504	703,296	113,891	1,631,821	11,085,303	15,972,219

The Directors are of the opinion that unreasonable expenses would be incurred in segregating the costs of the freehold and leasehold land and building separately.

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The following property, plant and equipment have been pledged to licensed banks as security for banking facilities granted to the Group:-

	2015 RM	2016 RM	2017 RM	2018 RM
Freehold land and building	1,432,457	1,408,258	4,158,469	2,745,100
Leasehold land and building	-	8,864,148	19,863,379	15,230,095
	1,432,457	10,272,406	24,021,848	17,975,195

(b) The following property, plant and equipment are asset held under finance lease:-

	2015 RM	2016 RM	2017 RM	2018 RM
Motor vehicles	1,222,866	1,258,347	1,110,675	1,078,044
Machineries	-	1,163,434	1,133,998	918,562
	1,222,866	2,421,781	2,244,673	1,996,606

6. INVESTMENT PROPERTIES

	2018 RM
Cost	
At 1 January 2018	-
Transfer from property, plant and equipment	1,664,364
At 31 December 2018	1,664,364
Accumulated depreciation	
At 1 January 2018	-
Transfer from property, plant and equipment	290,846
Amortisation during the financial year	18,308
At 31 December 2018	309,154
Net carrying amount	
At 31 December 2018	1,355,210
Market value based on similar properties at proximity area	1,638,370

The market value at the reporting date was obtained from the Directors determined by reference to similar industrial lands and buildings which have been sold or are being offered sale. No independent valuation by professional valuer has been performed on these investment properties.

6. INVESTMENT PROPERTIES (CONT'D)

(a) The following are recognised in profit or loss in respect of investment properties:-

	2015 RM	2016 RM	2017 RM	2018 RM
Direct operating expenses	-	-	-	2,104
Rental income	-	-	-	66,000

(b) The factory buildings of the Group with net carrying value of RM1,355,210 are pledged to licensed bank for banking facilities granted.

7. INVENTORIES

	2015 RM	2016 RM	2017 RM	2018 RM
Finished goods	25,922	149,667	1,347,902	1,664,809
Raw materials	1,088,373	1,334,864	7,220,548	6,021,377
Work-in-progress	866,204	1,111,466	466,536	2,020,435
	1,980,499	2,595,997	9,034,986	9,706,621
Recognised in profit or loss				
Recognised as cost of sales	31,587,170	29,264,232	39,615,670	41,016,839
Allowance for obsolete inventories	-	-	244,741	-
Reversal of allowance for obsolete inventories	-	-	-	(244,741)

8. TRADE RECEIVABLES

	2015 RM	2016 RM	2017 RM	2018 RM
Trade receivables	11,535,621	16,909,904	18,657,790	22,620,418
Less: Impairment losses	(44,276)	-	(384,535)	(75,174)
	11,491,345	16,909,904	18,273,255	22,545,244

8. **TRADE RECEIVABLES (CONT'D)**

The movement of impairment losses is as follows:-

	2015 RM	2016 RM	2017 RM	2018 RM
Brought forward	100,537	44,276	-	384,535
Provision for expected credit losses	-	-	384,535	75,174
Written off	-	-	-	(127,977)
Reversal during the financial year	(56,261)	(44,276)	-	(256,558)
Carried forward	44,276	-	384,535	75,174

Trade receivables are non-interest bearing and generally on 30 to 90 (2017: 30 to 90; 2016: 30 to 90; 2015: 30 to 90) days term.

The allowance for doubtful debts on trade receivables was reversed during the financial year as a result of subsequent receipts.

9. **OTHER RECEIVABLES**

	2015 RM	2016 RM	2017 RM	2018 RM
Other receivables	531,839	2,388,312	856,904	1,933,468
Deposits	430,550	1,339,484	823,453	752,215
Prepayments	2,971	2,417	117,943	203,543
GST receivable	17	192,399	138,366	177,406
	965,377	3,922,612	1,936,666	3,066,632
Less: Impairment losses	-	-	-	(50,400)
	965,377	3,922,612	1,936,666	3,016,232

Included in the other receivable is an amount due from Directors amounted to RMNil (2017: RM282,834; 2016: RM280,030; 2015: RM55,160) are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

The movement of impairment losses is as follows:-

	2015 RM	2016 RM	2017 RM	2018 RM
Brought forward	-	-	-	-
Provision for expected credit losses	-	-	-	50,400
Carried forward	-	-	-	50,400

10. **ASSET HELD-FOR-SALE**

During the financial year, the Group has signed a sales and purchase agreement to sell its industrial land Lot 14003, Mukim Dengkil, Daerah Sepang, Negeri Selangor. This criteria in MFRS 5 would be met at the plan commitment date.

	2015 RM	2016 RM	2017 RM	2018 RM
Asset classified as held-for-sale:-				
Property, plant and equipment	-	-	-	4,376,920

11. **SHARE CAPITAL**

	2015 RM	2016 RM	2017 RM	2018 RM
Issued and fully paid:-				
At 1 January	1,100,000	2,600,000	3,200,000	3,200,000
Issuance of ordinary shares	1,500,000	600,000	-	2
At 31 December	2,600,000	3,200,000	3,200,000	3,200,002

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Group's residual assets.

12. **BORROWINGS**

	2015 RM	2016 RM	2017 RM	2018 RM
Non-current				
Term loans	4,086,963	9,175,240	15,374,019	14,933,783
Current				
Term loans	435,984	361,062	498,394	487,601
Bankers acceptance	-	749,000	1,154,000	652,000
	435,984	1,110,062	1,652,394	1,139,601
Total borrowings	4,522,947	10,285,302	17,026,413	16,073,384

12. **BORROWINGS (CONT'D)**

	2015 RM	2016 RM	2017 RM	2018 RM
Secured:				
Term loan 1	982,811	917,265	857,046	803,421
Term loan 2	540,086	500,154	458,200	436,718
Term loan 3	452,907	425,432	396,143	381,009
Term loan 4	1,670,092	1,829,341	1,737,784	1,667,508
Term loan 5	300,010	3,414,587	3,975,441	3,924,324
Term loan 6	-	-	463,307	429,648
Term loan 7	-	-	4,767,547	4,700,879
Term loan 8	577,041	565,162	552,539	538,122
Term loan 9	-	1,700,806	2,509,423	2,430,214
Term loan 10	-	183,555	154,983	109,541
	4,522,947	9,536,302	15,872,413	15,421,384

	2015 RM	2016 RM	2017 RM	2018 RM
The term loans are repayable as follows:-				
- within 1 year	435,984	361,062	498,394	487,601
- within 1 to 2 years	158,458	370,793	544,080	564,944
- more than 2 years	3,928,505	8,804,447	14,829,939	14,368,839
Non-current portion	4,086,963	9,175,240	15,374,019	14,933,783
	4,522,947	9,536,302	15,872,413	15,421,384

The term loans 1 to 9 bear interest at rate of 2.0% - 2.2% (2017: 2.0% - 2.2%; 2016: 2.0% - 2.2%; 2015: 2.0% - 2.25%) below BLR and the term loan 10 bears interest at rate of 5% (2017: 5%; 2016: 5%; 2015: Nil) above BLR. The term loans 1 to 10 are secured against the following:-

(i) Guarantee by Directors of the Group jointly and severally;
(ii) Property, plant and equipment of the Group as disclosed in Note 5 to the financial statements;
(iii) Investment property of the Group as disclosed in Note 6 to the financial statements;
(iv) Corporate guarantee by the Company.

Term loan 1 is repayable over 240 monthly installments of RM7,146 each commencing after one month from the date of full disbursement.

Term loan 2 is repayable over 300 monthly installments of RM3,520 each commencing after one month from the date of full disbursement.

Term loan 3 is repayable over 240 monthly installments of RM4,059 each commencing after one month from the date of full disbursement.

Term loan 4 is repayable over 240 monthly installments of RM12,761 each commencing after one month from the date of full disbursement.

Term loan 5 is repayable over 240 monthly installments of RM25,247 each commencing after one month from the date of full disbursement.

12. **BORROWINGS (CONT'D)**

Term loan 6 is repayable over 180 monthly installments of RM3,856 each commencing after one month from the date of full disbursement.

Term loan 7 is repayable over 240 monthly installments of RM30,679 each commencing after one month from the date of full disbursement.

Term loan 8 is repayable over 300 monthly installments of RM3,313 each commencing after one month from the date of full disbursement.

Term loan 9 is repayable over 240 monthly installments of RM16,360 each commencing after one month from the date of full disbursement.

Term loan 10 is repayable over 60 monthly installments of RM4,434 each commencing after one month from the date of full disbursement.

The bankers acceptance bears interest at rate of 1.25% (2017: 1.25%; 2016: 1.25%; 2015: Nil) above BLR and are secured against the following:-

(i) Guaranteed by Directors of the Group jointly and severally;
(ii) Property, plant and equipment of the Group as disclosed in Note 5 to the financial statements.

13. **FINANCE LEASE LIABILITIES**

	2015 RM	2016 RM	2017 RM	2018 RM
Minimum lease payment:-				
- within 1 year	356,100	751,694	720,883	865,942
- within 1 to 2 years	338,186	541,878	635,651	626,594
- between 2 to 5 years	269,225	780,887	521,244	152,978
	963,511	2,074,459	1,877,778	1,645,514
Less: Future finance charge	(73,568)	(189,104)	(154,299)	(96,016)
	889,943	1,885,355	1,723,479	1,549,498
Present value of finance lease liabilities				
- within 1 year	320,948	662,998	634,715	797,025
- within 1 to 2 years	318,567	482,835	586,938	602,312
- between 2 to 5 years	250,428	739,522	501,826	150,161
Non-current portion	568,995	1,222,357	1,088,764	752,473
	889,943	1,885,355	1,723,479	1,549,498

The effective interest rates are ranging from 2.08% to 3.60% (2017: 2.42% to 3.40%; 2016: 2.42% to 3.40%; 2015: 2.42% to 3.62%) per annum.

14. DEFERRED TAX LIABILITIES

	2015 RM	2016 RM	2017 RM	2018 RM
At 1 January	138,259	160,000	469,000	291,000
Recognised in profit or loss (Note 22)	21,741	309,000	(178,000)	7,000
At 31 December	160,000	469,000	291,000	298,000

The deferred tax liabilities are made up of temporary differences arising from:-

	2015 RM	2016 RM	2017 RM	2018 RM
Carrying amount of qualifying property, plant and equipment in excess of their tax base	160,000	469,000	313,000	298,000
Unabsorbed capital allowance	-	-	(22,000)	-
	160,000	469,000	291,000	298,000

15. TRADE PAYABLES

Trade payables are non-interest bearing and generally on 30 to 120 (2017: 30 to 120; 2016: 30 to 120; 2015: 30 to 120) days term.

16. OTHER PAYABLES AND ACCRUALS

	2015 RM	2016 RM	2017 RM	2018 RM
Other payables	2,542,989	158,033	155,363	789,045
Accruals	88,419	111,315	813,851	1,148,089
Deposits	-	-	2,670	9,000
GST payables	9,980	-	36,279	-
	2,641,388	269,348	1,008,163	1,946,134

17. AMOUNT DUE TO DIRECTORS

Amount due to Directors is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

18. REVENUE

	2015 RM	2016 RM	2017 RM	2018 RM
Timing of revenue recognition				
Goods transferred at a point of time	40,540,598	44,373,958	60,747,287	63,680,038

19. OTHER OPERATING INCOME

	2015 RM	2016 RM	2017 RM	2018 RM
Reversal of allowance for obsolete inventories	-	-	-	244,741
Reversal of impairment loss on trade receivables	56,261	44,276	-	256,558
Bad debts recovered	22,000	7,171	-	-
Gain on disposal of property, plant and equipment	407,581	-	21,999	51,407
Realised foreign exchange gains	342,667	430,238	343,399	332
Rental income	-	-	-	66,000
Interest income	2,590	5,770	20,772	-
Miscellaneous income	2,151	4,829	10,600	8,750
	833,250	492,284	396,770	627,788

20. FINANCE COST

	2015 RM	2016 RM	2017 RM	2018 RM
Interest expenses on:-				
Bankers' acceptance	8,348	21,904	18,763	39,680
Finance leases	34,115	82,477	106,745	98,867
Term loans	204,610	289,303	776,808	933,778
	247,073	393,684	902,316	1,072,325

21. PROFIT BEFORE TAX

Profit before tax has been determined after charging, amongst other items, the following items:-

	2015 RM	2016 RM	2017 RM	2018 RM
Audit fees	30,800	33,300	68,000	70,000
Bad debts written off	15,596	44,276	-	38,767
Depreciation of property, plant and equipment	756,485	1,162,109	1,404,048	1,469,562
Amortisation of investment properties	-	-	-	18,308
Rental of house	32,400	45,400	34,500	16,300
Rental of crane	8,580	17,900	6,400	69,455
Rental of factory	319,870	124,050	72,000	30,000
Rental of forklift	-	-	-	17,600
Rental of machinery and equipment	-	8,050	26,917	600

22. TAX EXPENSE

	2015 RM	2016 RM	2017 RM	2018 RM
Current tax expense:-				
- current year provision	561,245	1,222,096	3,138,356	2,885,386
- (over)/under provision in prior year	(391,617)	349,508	1,763	3,572
	169,628	1,571,604	3,140,119	2,888,958
Transfer to/(from) deferred taxation (Note 14)				
- current year provision	1,000	145,000	(154,000)	37,000
- under/(over) provision in prior year	20,741	164,000	(24,000)	(30,000)
	21,741	309,000	(178,000)	7,000
	191,369	1,880,604	2,962,119	2,895,958

22. TAX EXPENSE (CONT'D)

A reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expense at the effective tax rate of the Group are as follows:-

	2015 RM	2016 RM	2017 RM	2018 RM
Profit before tax	2,367,589	7,160,864	11,499,875	12,202,496
Tax at Malaysia statutory rate of 24%	591,897	1,718,607	2,759,970	2,928,600
Tax effect in respect of:-				
Non-allowable expenses	263,513	209,805	293,269	266,303
Income not subject to tax	(187,562)	(74,013)	(5,280)	(120,312)
Utilisation of reinvestment allowances	(80,603)	(462,303)	(33,603)	(122,205)
Change in tax rate for first RM500,000 of chargeable income	(25,000)	(25,000)	(30,000)	(30,000)
Under/(over) provision of deferred tax in prior year	20,741	164,000	(24,000)	(30,000)
Under provision of tax in prior year	(391,617)	349,508	1,763	3,572
Tax expense for the financial years	191,369	1,880,604	2,962,119	2,895,958

23. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per share was based on the profit attributable to ordinary equity holders of the Group and a weighted average number of ordinary shares issued calculated as follows:-

	2015 RM	2016 RM	2017 RM	2018 RM
Profit for the financial years attributable to owners of the Group (RM)	2,176,220	5,280,260	8,537,756	9,306,538
Weighted average number of ordinary shares in issue	1,101,370	3,079,452	3,200,000	3,200,002
Basic earnings per share (sen)	1.98	1.71	2.67	2.91

Diluted earnings per share

Diluted earnings per share is not applicable as the Group does not have potential dilutive equity instruments that would give a diluted effect to the basic earnings per share.

24. EMPLOYEE BENEFITS EXPENSES

	2015 RM	2016 RM	2017 RM	2018 RM
Salaries and other emoluments	4,017,229	4,206,383	5,986,605	6,029,237
Defined contribution plan	258,742	305,609	393,054	520,684
Social security contributions	12,402	17,911	21,107	33,541
Other benefits	578,343	781,927	1,478,657	1,445,620
	4,866,716	5,311,830	7,879,423	8,029,082

Included in the employee benefit expenses are the Directors' remuneration as below:-

	2015 RM	2016 RM	2017 RM	2018 RM
Salaries and other emoluments	838,612	871,500	1,118,407	1,409,500
Defined contribution plan	151,873	154,555	185,795	242,305
Social security contributions	1,860	2,552	2,900	3,693
	992,345	1,028,607	1,307,102	1,655,498

25. RELATED PARTY DISCLOSURES

(a) The related party transactions of the Group during the financial years/period were as follows:-

	2015 RM	2016 RM	2017 RM	2018 RM
Transactions with Directors				
- Disposal of property, plant and equipment	300,000	-	-	-

(b) Outstanding balances arising from related party transactions are disclosed in Notes 9 and 17 to the financial statements.

(c) Compensation of key management personnel

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group.

Key management includes all the Directors of the Group and certain members of senior management of the Group.

25. RELATED PARTY DISCLOSURES (CONT'D)

(c) Compensation of key management personnel (cont'd)

	2015 RM	2016 RM	2017 RM	2018 RM
Directors	992,345	1,028,607	1,307,102	1,655,498
Other key management personnels	106,412	230,365	349,933	562,366

26. DIVIDENDS

	2015 RM	2016 RM	2017 RM	2018 RM
In respect of financial year ended 31 December 2017:- Single-tier dividend of 20% on 2,500,000 ordinary shares declared on 30 November 2017 and paid on 28 September 2018	-	-	500,000	-

27. COMMITMENTS

Operating lease commitments

The future minimum lease payment under non-cancellable operating lease commitments are:-

	2015 RM	2016 RM	2017 RM	2018 RM
Not later than one year	72,000	74,600	66,000	31,100
Later than one year but not later than five years	138,000	66,000	-	7,000
	210,000	140,600	66,000	38,100

Operating lease commitments represent rental payables for rent of the Group's premises.

Capital commitments

	2015 RM	2016 RM	2017 RM	2018 RM
Authorised and contracted for:-				
Property, plant and equipment	891,448	6,850,000	4,755,040	4,279,536

28. **SEGMENTAL REPORTING – GROUP**

For management purposes, the Group is organised into business units based on its nature of business and has two reportable segments, as follows:-

Manufacturing - Manufacturing of steel poles comprising standard street lighting poles, decorative light poles and specialty poles.

Trading - Trading of outdoor lighting products.

The Director monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the combined financial statements.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation. Transfer prices between business segments are established on terms and conditions that are mutually agreed upon.

Business segments

	Note	Manufacturing RM	Trading RM	Elimination RM	Combined RM
2015					
Revenue:-					
External customers		29,848,721	10,691,877	-	40,540,598
Inter-segment		1,412,772	-	(1,412,772)	-
Results:-					
Interest income		2,590	-	-	2,590
Interest expenses		(247,073)	-	-	(247,073)
Depreciation of property, plant and equipment		(756,485)	-	-	(756,485)
Tax expense		(122,089)	(69,280)	-	(191,369)
Other non-cash income	(i)	448,246	-	-	448,246
Segment profit		1,690,031	486,189	-	2,176,220
Assets:-					
Additions to non-current asset:-property, plant and equipment		8,044,100	-	-	8,044,100
2016					
Revenue:-					
External customers		32,074,592	12,299,366	-	44,373,958
Inter-segment		1,069,854	527,595	(1,597,449)	-

28. SEGMENTAL REPORTING – GROUP (CONT'D)

Business segments (cont'd)

	Note	Manufacturing RM	Trading RM	Elimination RM	Combined RM
2016 (cont'd)					
Results:-					
Interest income		5,770	-	-	5,770
Interest expenses		(393,684)	-	-	(393,684)
Depreciation of property, plant and equipment		(1,161,228)	(881)	-	(1,162,109)
Tax expense		(1,529,527)	(351,077)	-	(1,880,604)
Other non-cash income	(i)	-	-	-	-
Segment profit		4,386,425	893,835	-	5,280,260
Assets:-					
Additions to non-current asset:-property, plant and equipment		4,362,536	2,642	-	4,365,178
2017					
Revenue:-					
External customers		40,051,141	20,696,146	-	60,747,287
Inter-segment		1,889,662	3,258,985	(5,148,647)	-
Results:-					
Interest income		20,772	-	-	20,772
Interest expenses		(902,316)	-	-	(902,316)
Depreciation of property, plant and equipment		(1,401,960)	(2,088)	-	(1,404,048)
Tax expense		(1,535,256)	(1,426,863)	-	(2,962,119)
Other non-cash expenses	(i)	(607,277)	-	-	(607,277)
Segment profit		4,616,214	3,921,542	-	8,537,756
Assets:-					
Additions to non-current asset:-property, plant and equipment		11,644,929	3,623	-	11,648,552
2018					
Revenue:-					
External customers		41,133,221	22,546,817	-	63,680,038
Inter-segment		2,932,318	5,223,608	(8,155,926)	-
Results:-					
Amortisation of investment properties		(13,658)	(4,650)	-	(18,308)
Interest expenses		(1,072,325)	-	-	(1,072,325)
Depreciation of property, plant and equipment		(1,371,070)	(98,492)	-	(1,469,562)
Tax expense		(1,644,930)	(1,251,028)	-	(2,895,958)
Other non-cash income	(i)	388,365	-	-	388,365
Segment profit		5,557,394	3,749,144	-	9,306,538

28. **SEGMENTAL REPORTING – GROUP (CONT'D)**

Business segments (cont'd)

	Note	Manufacturing RM	Trading RM	Elimination RM	Combined RM
2018 (cont'd)					
Assets:-					
Additions to non-current asset:-property, plant and equipment		2,503,720	-	-	2,503,720

Notes to the nature of adjustments and eliminations to arrive at amounts reported in the Combined Financial Information:-

(i) Other material non-cash income/(expenses) consist of the following items:-

	2015 RM	2016 RM	2017 RM	2018 RM
Bad debts written off	(15,596)	(44,276)	-	(38,767)
Gain on disposal of property, plant and equipment	407,581	-	21,999	51,407
Allowance for obsolete inventories	-	-	(244,741)	-
Allowance for doubtful debts	-	-	(384,535)	(125,574)
Reversal of impairment loss on trade receivables	56,261	44,276	-	256,558
Reversal of allowance for obsolete inventories	-	-	-	244,741
	448,246	-	(607,277)	388,365

Geographical segments

The Group operates in Malaysia. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

The following table provides an analysis of the Group's revenue by geographical segment:-

	2015 RM	2016 RM	2017 RM	2018 RM
Revenue from external customers				
Malaysia	34,991,220	36,856,960	56,324,567	58,998,784
Australia	3,666,391	3,735,032	2,083,265	1,171,476
Singapore	1,836,055	2,695,610	1,233,984	627,969
Others	46,932	1,086,356	1,105,471	2,881,809
	40,540,598	44,373,958	60,747,287	63,680,038

28. SEGMENTAL REPORTING – GROUP (CONT'D)

Major customers

There are no major customers with revenue equal or more than 10% of the Group's revenue for the financial years ended 31 December 2015, 2016 and 2017.

Revenue from one major customer amount to RM9,840,800 during the financial year ended 31 December 2018, arising from sales by the manufacturing segment.

29. FINANCIAL INSTRUMENTS

29.1 Categories of financial instruments

The financial instrument classifications in the prior period are in accordance with MFRS 139 as follows:-

i. Loans and receivables ("L&R"); and
ii. Other financial liabilities measured at amortised cost ("OFL")

	Carrying amount RM	L&R RM	OFL RM
2015			
Financial assets			
Trade receivables	11,491,345	11,491,345	-
Other receivables	962,389	962,389	-
Cash and bank balances	1,033,763	1,033,763	-
	13,487,497	13,487,497	-
Financial liabilities			
Trade payables	7,348,923	-	7,348,923
Other payables and accruals	2,631,408	-	2,631,408
Amount due to Directors	2,959,161	-	2,959,161
Borrowings	4,522,947	-	4,522,947
Finance lease liabilities	889,943	-	889,943
	18,352,382	-	18,352,382
2016			
Financial assets			
Trade receivables	16,909,904	16,909,904	-
Other receivables	3,727,796	3,727,796	-
Cash and bank balances	2,169,527	2,169,527	-
	22,807,227	22,807,227	-
Financial liabilities			
Trade payables	9,192,595	-	9,192,595
Other payables and accruals	269,348	-	269,348
Amount due to Directors	2,899,161	-	2,899,161
Borrowings	10,285,302	-	10,285,302
Finance lease liabilities	1,885,355	-	1,885,355
	24,531,761	-	24,531,761

29. FINANCIAL INSTRUMENTS (CONT'D)

29.1 Categories of financial instruments (cont'd)

The financial instrument classifications in the prior period are in accordance with MFRS 139 as follows:-

i. Loans and receivables ("L&R"); and
ii. Other financial liabilities measured at amortised cost ("OFL")

	Carrying amount RM	L&R RM	OFL RM
2017			
Financial assets			
Trade receivables	18,273,255	18,273,255	-
Other receivables	1,680,357	1,680,357	-
Cash and bank balances	5,333,052	5,333,052	-
	25,286,664	25,286,664	-
Financial liabilities			
Trade payables	12,366,575	-	12,366,575
Other payables and accruals	971,884	-	971,884
Amount due to Directors	1,799,161	-	1,799,161
Borrowings	17,026,413	-	17,026,413
Finance lease liabilities	1,723,479	-	1,723,479
Dividend payable	500,000	-	500,000
	34,387,512	-	34,387,512

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost ("AC").

	Carrying amount RM	AC RM
2018		
Financial assets		
Trade receivables	22,545,244	22,545,244
Other receivables	2,635,283	2,635,283
Cash and bank balances	3,930,897	3,930,897
	29,111,424	29,111,424
Financial liabilities		
Trade payables	11,287,264	11,287,264
Other payables and accruals	1,946,134	1,946,134
Amount due to Directors	14,500	14,500
Borrowings	16,073,384	16,073,384
Finance lease liabilities	1,549,498	1,549,498
	30,870,780	30,870,780

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management

The Group is 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 Group's business whilst managing its credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process. The Group does not actively engage in the trading of financial assets for speculative purposes nor do it write options. The Group does not apply hedge accounting.

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation of the Group's total credit exposure. The Group's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of the management.

Following are the areas where the Group is exposed to credit risk:-

(i) Receivables

As at the end of reporting period, the maximum exposure of credit risk arising from receivables is limited to the carrying amounts in the combined statements of financial position.

With a credit policy in place to ensure the credit risk is monitored on an ongoing basis, management has taken reasonable steps to ensure that receivables are stated at their realisable values. A significant portion of the receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk and are monitored individually.

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.2 **Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

Following are the areas where the Group is exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

The Group's exposure to credit risk are influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The risk management committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external rating, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the risk management committee.

Comparative information under MFRS 139 Financial Instruments: Recognition and Measurement

The ageing of trade receivables and accumulated impairment loss of the Group as at 2016 and 2017 are as follows:-

	Gross	Individually impaired	Net
	RM	RM	RM
2015			
Within credit terms	2,297,168	-	2,297,168
Past due 1-30 days	2,557,504	-	2,557,504
Past due 31-60 days	2,019,473	-	2,019,473
Past due 61-90 days	2,386,346	-	2,386,346
Past due more than 90 days	2,275,130	(44,276)	2,230,854
	11,535,621	(44,276)	11,491,345
2016			
Within credit terms	4,620,131	-	4,620,131
Past due 1-30 days	3,951,937	-	3,951,937
Past due 31-60 days	3,521,725	-	3,521,725
Past due 61-90 days	1,956,561	-	1,956,561
Past due more than 90 days	2,859,550	-	2,859,550
	16,909,904	-	16,909,904

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

Following are the areas where the Group is exposed to credit risk (cont'd):-

(i) Receivables (cont'd)

Comparative information under MFRS 139 Financial Instruments: Recognition and Measurement (cont'd)

The ageing of trade receivables and accumulated impairment loss of the Group as at 2015, 2016 and 2017 are as follows (cont'd) :-

	Gross RM	Individually impaired RM	Net RM
2017			
Within credit terms	4,571,824	-	4,571,824
Past due 1-30 days	3,944,108	-	3,944,108
Past due 31-60 days	3,105,808	-	3,105,808
Past due 61-90 days	2,491,420	-	2,491,420
Past due more than 90 days	4,544,630	(384,535)	4,160,095
	18,657,790	(384,535)	18,273,255

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:-

		Trade receivables days past due				
	Not past due RM	1-30 days RM	31-60 days RM	61-90 days RM	>90 days RM	Total RM
2018						
Expected credit loss rate	0%	0%	0%	0%	2.01%	
Total gross carrying amount	14,120,288	1,355,445	1,282,983	2,122,302	3,739,400	22,620,418
Expected credit loss	-	-	-	-	75,174	75,174

(ii) Related parties balances

The maximum exposure to credit risk is represented by their carrying amount in the combined statements of financial position.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

Following are the areas where the Group is exposed to credit risk (cont'd):-

(iii) Cash and cash equivalents

The credit risk for cash and cash equivalents and short term placements is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds.

In managing its exposures to liquidity risk, the Group maintains 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 as and when they fall due.

The Group aims at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping diverse 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 flow RM	Within 1 year RM	1 to 2 years RM	More than 2 years RM
2015					
Trade payables	7,348,923	7,348,923	7,348,923	-	-
Other payables and accruals	2,631,408	2,631,408	2,631,408	-	-
Amount due to Directors	2,959,161	2,959,161	2,959,161	-	-
Borrowings	4,522,947	6,794,020	670,075	373,329	5,750,616
Finance lease liabilities	889,943	963,511	356,100	338,186	269,225
	18,352,382	20,697,023	13,965,667	711,515	6,019,841
2016					
Trade payables	9,192,595	9,192,595	9,192,595	-	-
Other payables and accruals	269,348	269,348	269,348	-	-
Amount due to Directors	2,899,161	2,899,161	2,899,161	-	-
Borrowings	10,285,302	15,940,445	1,630,082	922,080	13,388,283
Finance lease liabilities	1,885,355	2,074,459	751,694	541,878	780,887
	24,531,761	30,376,008	14,742,880	1,463,958	14,169,170

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.2 **Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(b) **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 flow RM	Within 1 year RM	1 to 2 years RM	More than 2 years RM
2017					
Trade payables	12,366,575	12,366,575	12,366,575	-	-
Other payables and accruals	971,884	971,884	971,884	-	-
Amount due to Directors	1,799,161	1,799,161	1,799,161	-	-
Borrowings	17,026,413	24,884,014	2,427,508	1,336,838	21,119,668
Finance lease liabilities	1,723,479	1,877,778	720,883	635,651	521,244
Dividend payable	500,000	500,000	500,000	-	-
	34,387,512	42,399,412	18,786,011	1,972,489	21,640,912
2018					
Trade payables	11,287,264	11,287,264	11,287,264	-	-
Other payables and accruals	1,946,134	1,946,134	1,946,134	-	-
Amount due to Directors	14,500	14,500	14,500	-	-
Borrowings	16,073,384	23,502,261	1,958,500	1,366,500	20,207,261
Finance lease liabilities	1,549,498	1,645,514	865,942	626,594	152,978
	30,870,780	38,395,673	16,072,340	1,993,094	20,360,239

(c) **Foreign currency**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

To mitigate the Group's exposure to foreign currency risk, the Group is exposed to foreign currency risk on sales and purchases, that are denominated in another currency. The currencies giving rise to this risk is primarily United States Dollar (USD), Singapore Dollar (SGD) and Australia Dollar (AUD).

The Group's exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

	2015 Denominated in		
	USD RM	**SGD RM**	**AUD RM**
Trade receivables	-	116,168	105,630
Cash and bank balances	-	-	1,141
	-	116,168	106,771

29. **FINANCIAL INSTRUMENTS (CONT'D)**

29.2 **Financial risk management (cont'd)**

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(c) **Foreign currency (cont'd)**

The Group's exposures to foreign currency risk, based on carrying amounts as at the end of the reporting period was (cont'd) :-

		2016 **Denominated in**	
	USD	**SGD**	**AUD**
	RM	**RM**	**RM**
Trade receivables	124,932	1,196,312	242,869
Cash and bank balances	-	-	12,393
	124,932	1,196,312	255,262

		2017 **Denominated in**	
	USD	**SGD**	**AUD**
	RM	**RM**	**RM**
Trade receivables	-	200,684	589,191
Cash and bank balances	-	-	2,158
	-	200,684	591,349

		2018 **Denominated in**	
	USD	**SGD**	**AUD**
	RM	**RM**	**RM**
Trade receivables	-	40,122	240,396
Cash and bank balances	-	-	5,794
	-	40,122	246,190

Exposure to foreign exchange rates vary during the financial years depending on the volume of overseas transactions.

As at the reporting date, the management of the Group determined the effects of sensitivity of the Group's profit for the financial years to a reasonable possible change in the USD, SGD and AUD exchange rates to be immaterial.

(d) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

29. FINANCIAL INSTRUMENTS (CONT'D)

29.2 Financial risk management (cont'd)

The main areas of financial risks faced by the Group and the policy in respect of the major areas of treasury activities are set out as follows (cont'd):-

(d) **Interest rate risk (cont'd)**

The Group's investments in fixed rate financial instruments are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate financial instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting date is as follows:-

	2015 RM	2016 RM	2017 RM	2018 RM
Fixed rate instruments				
Bankers acceptance	-	749,000	1,154,000	652,000
Finance lease liabilities	889,943	1,885,355	1,723,479	1,549,498
	889,943	2,634,355	2,877,479	2,201,498
Floating rate instruments				
Term loans	4,522,947	9,536,302	15,872,413	15,421,384

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

A change in 50 basis point (bp) in interest rates at the end of the reporting period would have increase/(decrease) the Group's profit and equity by the amounts shown below. This analysis assumes that all other variables are held constant.

	Profit for the year		Equity	
	+50bp RM	-50bp RM	+50bp RM	-50bp RM
2015	(22,615)	22,615	(22,615)	22,615
2016	(47,682)	47,682	(47,682)	47,682
2017	(79,362)	79,362	(79,362)	79,362
2018	(77,107)	77,107	(77,107)	77,107

29. FINANCIAL INSTRUMENTS (CONT'D)

29.3 Fair value of financial instruments

The carrying amounts of short term receivables and payable, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The table below analysis the financial instruments not carried at fair value for which fair value is disclosed, together with their values and carrying amounts shown in the combined statements of financial position.

	Fair value of financial instruments not carried at fair value Level 2 RM	Carrying amount RM
2015		
Finance lease liabilities	963,511	889,943
Borrowings	6,794,020	4,522,947
2016		
Finance lease liabilities	2,074,459	1,885,355
Borrowings	15,940,445	10,285,302
2017		
Finance lease liabilities	1,877,778	1,723,479
Borrowings	24,884,014	17,026,413
2018		
Finance lease liabilities	1,645,514	1,549,498
Borrowings	23,502,261	16,073,384

Level 2 Fair Value

Level 2 fair value estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

29.4 Reconciliation of liabilities arising from financing activities

2015

	1 January 2015 RM	Cash flows RM	Others RM	31 December 2015 RM
Amount due to Directors	2,642,700	316,461	-	2,959,161
Borrowings	5,991,714	(1,468,767)^	-	4,522,947
Finance lease liabilities	1,123,802	(233,859)	-	889,943
Issuance of shares	-	1,500,000	(1,500,000)	-
Interest paid	-	(247,073)	247,073#	-
	9,758,216	(133,238)	(1,252,927)	8,372,051

29. FINANCIAL INSTRUMENTS (CONT'D)

29.4 Reconciliation of liabilities arising from financing activities (cont'd)

2016

	1 January 2016 RM	Cash flows RM	Others RM	31 December 2016 RM
Amount due to Directors	2,959,161	(60,000)	-	2,899,161
Borrowings	4,522,947	5,762,355^	-	10,285,302
Finance lease liabilities	889,943	(460,568)	1,455,980*	1,885,355
Issuance of shares	-	600,000	(600,000)	-
Interest paid	-	(393,684)	393,684#	-
	8,372,051	5,448,103	1,249,664	15,069,818

2017

	1 January 2017 RM	Cash flows RM	Others RM	31 December 2017 RM
Amount due to Directors	2,899,161	(1,100,000)	-	1,799,161
Borrowings	10,285,302	6,741,111^	-	17,026,413
Finance lease liabilities	1,885,355	(702,926)	541,050*	1,723,479
Interest paid	-	(902,316)	902,316#	-
	15,069,818	4,035,869	1,443,366	20,549,053

2018

	1 January 2018 RM	Cash flows RM	Others RM	31 December 2018 RM
Amount due to Directors	1,799,161	(1,784,661)	-	14,500
Borrowings	17,026,413	(953,029)^	-	16,073,384
Finance lease liabilities	1,723,479	(892,421)	718,440*	1,549,498
Dividend paid	-	(500,000)	500,000	-
Issuance of shares	-	2	(2)	-
Interest paid	-	(1,072,325)	1,072,325#	-
	20,549,053	(5,202,434)	2,290,763	17,637,382

* Being purchase of property, plant and equipment under finance lease liability.
\# Being interest paid during the financial year.
^ Being the net amount between drawdown of borrowings of RM5,089,000 (2017: RM7,940,349; 2016: RM8,060,914; 2015: RM1,914,472) and repayment of borrowings of RM6,042,029 (2017: RM1,199,238; 2016: RM2,298,559; 2015: RM3,383,239).

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. There were no changes in the Group's approach to capital management during the financial years.

31. EVENTS DURING REPORTING PERIOD

(a) On 16 March 2018, a subsidiary, MESB acquired 140,000 ordinary shares of RM1.00 each, representing 70% equity interest in Max Lighting Solution Sdn. Bhd. ("MLSSB") for a total cash consideration of RM140,000.

(b) On 3 April 2018, a subsidiary, MESB acquired 300,000 ordinary shares of RM1.00 each, representing 60% equity interest in Meslite Sdn. Bhd. ("MSB") for a total cash consideration of RM300,000.

(c) On 4 June 2018, a subsidiary, MESB entered into sales and purchase agreements with the Directors of the Company:-

  (i) Disposal of parcel of leasehold land measuring approximately 0.1942 hectares held under PM 8591, Lot 16380, Mukim Dengkil, Daerah Sepang, Negeri Selangor with all structures erected thereon held by the Group for a cash consideration of RM760,000.

  (i) Disposal of parcel of leasehold land measuring approximately 0.1704 hectares held under PM 7562, Lot 16379, Mukim Dengkil, Daerah Sepang, Negeri Selangor with all structures erected thereon held by the Group for a cash consideration of RM690,000.

  The transactions were completed on 7 November 2018.

(d) On 28 November 2018, the Company entered into a sales and purchase agreement with Sunteck Aluminium & Trading Sdn. Bhd. to dispose of an industrial leasehold land measuring approximately 4,234.6 square metres held under Lot 14003, Mukim Dengkil, Daerah Sepang, Negeri Selangor for a cash consideration of RM5,500,000.

  As of the report date, the transaction yet to complete.

32. EVENT AFTER REPORTING PERIOD

(a) On 28 August 2017, the Company entered into a sales and purchase agreement with Karumas Development Sdn. Bhd. to acquire of an industrial leasehold land measuring approximately 0.5522 hectare held under PM7561, Lot 16393, Mukim Dengkil, Daerah Sepang, Negeri Selangor for a cash consideration of RM4,755,040.

  The transaction was completed on 2 January 2019.

32. **EVENT AFTER REPORTING PERIOD (CONT'D)**

(b) On 22 January 2019, a subsidiary, MESB entered into share sale agreements ("Agreements") to acquire the remaining 30% and 40% equity interest in Max Lighting Solution Sdn. Bhd, and Meslite Sdn. Bhd. from its minority interest shareholders for a cash consideration of RM134,907 and RM358,320 respectively.

The agreement shall be conditional upon the following:

(i) the approval of the board of directors and shareholders of the Purchaser in respect of the transaction contemplated in this Agreement upon such terms and conditions set out herein;
(ii) the approval from Bursa Securities in relation to the Proposed listing; and
(iii) such other waivers, consents or approvals as may be required (or deemed necessary by the Parties) from any third party or governmental, regulatory body or relevant authorities having jurisdiction over any part of the sale and purchase of the Sale Shares contemplated under this Agreement

Upon completion of share sales agreements, MLSSB and MSB became wholly-owned subsidiary of MESB.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

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Date: 2 May 2019

The Board of Directors
Mestron Holdings Berhad
PT 50102
Jalan MU 1/9
Seksyen 10
Taman Perindustrian Meranti Utama
47120 Puchong
Selangor Darul Ehsan

Dear Sirs,

MESTRON HOLDINGS BERHAD ("MESTRON HOLDINGS" OR "THE COMPANY") AND ITS PROPOSED SUBSIDIARIES ("MESTRON HOLDINGS GROUP", "PRO FORMA GROUP" OR "THE GROUP")

REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS ("REPORT")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of the Group prepared by the Board of Directors of the Company. The pro forma consolidated financial information consists of the pro forma consolidated statements of financial position as at 31 December 2018 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The pro forma consolidated financial information has been prepared for inclusion in the prospectus of the Company in connection with the initial public offering ("IPO") and the listing and quotation of the entire issued share capital of the Company on the Ace Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and described in Note 1 of the pro forma consolidated financial information ("Applicable Criteria").

The pro forma consolidated financial information has been compiled by the Board of Directors for illustrative purposes only, to illustrate the impact of the IPO on the financial position of the Group as at 31 December 2018 had the IPO been effected on 31 December 2018. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the Group's audited financial information as at 31 December 2018 which have been audited.

The Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Board of Directors is responsible for compiling the pro forma consolidated financial information on the basis described in Note 1 of the pro forma consolidated financial information.

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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' Code of Ethics for Professional Accountants ("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.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 1 of the pro forma consolidated financial information.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE 3420), Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus*, issued by the International Auditing and Assurance Standard 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 of the Company have compiled, in all material respects, the pro forma consolidated financial information on the basis as set out in Note 1 of the pro forma consolidated financial information.

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 consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction 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 events or transactions as at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information 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 Board of Directors in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

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Reporting Accountants' Responsibilities (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 consolidated financial information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

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

Opinion

In our opinion:-

(i) The pro forma consolidated statements of financial position of the Group have been properly compiled on the basis as set out in the accompanying notes based on the audited financial statements of the Group for the financial year ended 31 December 2018 (which have been prepared by the Directors of Mestron Holdings), and in a manner consistent with both the format and the accounting policies adopted by the Group for the financial year ended 31 December 2018 and the adoption of new accounting policy as described in Note 1; and

(ii) Each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position is appropriate for the purposes of preparing the pro forma consolidated statements of financial position.

Other Matter

This report has been prepared solely for the purpose stated above, in connection with the IPO and Listing. As such, this letter should not be used or relied upon for any other purpose without the prior written consent from us. 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,

GRANT THORNTON MALAYSIA
NO. AF: 0737
CHARTERED ACCOUNTANTS

LIAN TIAN KWEE
(NO: 02943/05/2019 J)
CHARTERED ACCOUNTANT

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME

1.1 Pro Forma Group

The pro forma consolidated financial information of Mestron Holdings Berhad ("Mestron Holdings" or "the Company") and its proposed subsidiaries (collectively referred to as "Mestron Holdings Group", "Pro Forma Group" or "the Group") has been prepared for illustrative purposes only.

1.2 Basis of Preparation

The pro forma consolidated financial information of the Group has been prepared on the basis consistent with the accounting policies adopted by the Group for the financial year ended 31 December 2018, 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 consolidated statements of financial position are consolidated using the merger method as these companies are under the common control by the same party both before and after the acquisition of the Group. When the merger method is used, the difference between the cost of investment recorded by Mestron and the share capital of the subsidiaries are accounted for as merger deficit in the pro forma consolidated statements of financial position. The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which participated in the reorganisation exercise was under common control before and immediately after the reorganisation exercise. The 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 start of the earliest period presented in the financial statements.

The audited financial statements of the Group as at 31 December 2018 were not subject to any audit qualification.

The pro forma consolidated financial information, because of its nature, may not reflect the actual financial position of the Group. Further, such information does not predict the future financial position of the Group.

The pro forma consolidated financial information of the Group comprises pro forma consolidated statements of financial position as at 31 December 2018, adjusted for the impact of the Listing Scheme as set out in Note 1.3 of this pro forma consolidated financial information.

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (CONT'D)

1.3 Listing Scheme

(a) Pro Forma I : Acquisitions

(i) Acquisition under Mestron Engineering Sdn. Bhd.

On 22 January 2019, Mestron Engineering Sdn. Bhd. entered into share sale agreements ("Agreement") to acquire an additional 30% and 40% equity interest in Max Lighting Solution Sdn. Bhd, and Meslite Sdn. Bhd. from its non-controlling interests for a cash consideration of RM134,907 and RM358,320 respectively.

(ii) Acquisition under Mestron Holdings

Acquisitions entails acquiring the entire equity interest of the Mestron Engineering Sdn. Bhd., for a total purchase consideration of RM31,599,999.90, to be satisfied via the issuance of 631,999,998 new Shares at RM0.05 per share.

(b) Pro Forma II: Public Issue

Public issue of 158,000,000 Shares, representing 20% of the enlarged share capital are offered at IPO price of RM0.16 each ("IPO Price") The issue Shares shall be allocated in the following manner:

(i) Malaysian Public

39,500,000 Issue Shares, representing 5.0% of the enlarged share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

- 19,750,000 Issue Shares made available to public investors; and
- 19,750,000 Issue Shares made available to Bumiputera public investors.

(ii) Eligible Directors and employees who have contributed to the success of the Mestron Holdings Group

8,750,000 Issue Shares, representing 1.1% of the enlarged share capital, will be reserved for the eligible Directors and employees who have contributed to the success of the Mestron Holdings Group.

(iii) Private placement to selected investors

30,750,000 Shares, representing 3.9% of the enlarged share capital after the IPO, have been reserved for private placement to selected investors.

(iv) Private placement to Bumiputera investors approved by Ministry of International Trade and Industry

79,000,000 Issue Shares, representing 10.0% of the enlarged share capital after the IPO, have been reserved for private placement to selected Bumiputera investors approved by Ministry of International Trade and Industry.

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (CONT'D)

1.3 Listing Scheme (Cont'd)

(c) Offer for Sale

A total of 79,000,000 Offer Shares, representing 10.0% the enlarged share capital, have been reserved by the Selling Shareholders to selected investors by way private placement at IPO price.

(d) Pro Forma III: Utilisation of Proceeds

Gross proceeds from the IPO of RM25,280,000 are expected to be utilised as follows:

Details of utilisation	Estimated timeframe for utilisation upon listing	RM
Expansion of main manufacturing facility and acquisition of manufacturing machineries and equipment	Within 24 months	13,000,000
Working capital	Within 12 months	5,180,000
Repayment of bank borrowings	Within 6 months	4,000,000
Estimated listing expenses	Within 1 months	3,100,000
Total estimated proceeds		**25,280,000**

1.4 Auditors of Mestron Holdings Group

The auditors of the audited financial statements of Mestron Holdings Group for the financial year ended 31 December 2018 are as follows:

	Company	**Auditor**
i.	Mestron Holdings Berhad	Grant Thornton Malaysia
ii.	Mestron Engineering Sdn. Bhd.	Grant Thornton Malaysia
	Subsidiaries of Mestron Engineering Sdn. Bhd.	
i.	Meslite Sdn. Bhd.	Grant Thornton Malaysia
ii.	Max Lighting Solution Sdn. Bhd.	Grant Thornton Malaysia

The audited financial statements of Mestron Holdings Group for the financial year ended 31 December 2018 were not subject to any qualification or modification.

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

The pro forma consolidated statements of financial position ("SOFP") as at 31 December 2018 has been prepared for illustrative purposes only to show the effects on Mestron Holdings Group as at 31 December 2018 based on the assumption that the Listing Scheme as set out in Note 1.3 of the pro forma consolidated financial information had been effected on 31 December 2018.

		Statement of Financial Position at 31 December 2018 RM	Adjustments for Acquisitions RM	Pro forma I After Acquisitions RM	Adjustments for Public Issue RM	Pro forma II After Proforma I and Public Issue RM	Adjustments for Utilisation of Proceeds RM	Pro forma III After Proforma II and Utilisation of Proceeds RM
ASSETS								
Non-current assets								
Property, plant and equipment	3.1	-	23,135,620	23,135,620	-	23,135,620	13,000,000	36,135,620
Investment properties		-	1,355,210	1,355,210	-	1,355,210	-	1,355,210
Total non-current assets		-	24,490,830	24,490,830	-	24,490,830	13,000,000	37,490,830
Current assets								
Inventories		-	9,706,621	9,706,621	-	9,706,621	-	9,706,621
Trade receivables		-	22,545,244	22,545,244	-	22,545,244	-	22,545,244
Other receivables		-	2,576,232	2,576,232	-	2,576,232	-	2,576,232
Cash and bank balances	3.2	4,933	3,925,964	3,930,897	25,280,000	29,210,897	(20,100,000)	9,110,897
Total current assets		4,933	38,754,061	38,758,994	25,280,000	64,038,994	(20,100,000)	43,938,994
Asser held for sale		-	4,376,920	4,376,920	-	4,376,920	-	4,376,920
Total assets		4,933	67,621,811	67,626,744	25,280,000	92,906,744	(7,100,000)	85,806,744
EQUITY AND LIABILITIES								
Share capital	3.3	2	31,600,000	31,600,002	25,280,000	56,880,002	-	56,880,002
Merger deficit	3.4	-	(29,100,000)	(29,100,000)	-	(29,100,000)	-	(29,100,000)
Retained earnings	3.5	(31,067)	33,921,824	33,890,757	-	33,890,757	(3,100,000)	30,790,757
Total equity		(31,065)	36,421,824	36,390,759	25,280,000	61,670,759	(3,100,000)	58,570,759

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		Statement of Financial Position at 31 December 2018 RM	Adjustments for Acquisitions RM	Pro forma I After Acquisitions RM	Adjustments for Public Issue RM	Pro forma II After Proforma I and Public Issue RM	Adjustments for Utilisation of Proceeds RM	Pro forma III After Proforma II and Utilisation of Proceeds RM
LIABILITIES								
Non-current liabilities								
Borrowings	3.6	-	14,933,783	14,933,783	-	14,933,783	(3,837,704)	11,096,079
Finance lease liabilities		-	752,473	752,473	-	752,473	-	752,473
Deferred tax liabilities		-	298,000	298,000	-	298,000	-	298,000
Total non-current liabilities		-	15,984,256	15,984,256	-	15,984,256	(3,837,704)	12,146,552
Current liabilities								
Trade payables		-	11,287,264	11,287,264	-	11,287,264	-	11,287,264
Other payables		6,998	1,939,136	1,946,134	-	1,946,134	-	1,946,134
Amount due to directors		14,500	-	14,500	-	14,500	-	14,500
Amount due to a related party		14,500	(14,500)	-	-	-	-	-
Borrowings	3.7	-	1,139,601	1,139,601	-	1,139,601	(162,296)	977,305
Finance lease liabilities		-	797,025	797,025	-	797,025	-	797,025
Tax payables		-	67,205	67,205	-	67,205	-	67,205
Total current liabilities		35,998	15,215,731	15,251,729	-	15,251,729	(162,296)	15,089,433
Total liabilities		35,998	31,199,987	31,235,985	-	31,235,985	(4,000,000)	27,235,985
Total equity and liabilities		4,933	67,621,811	67,626,744	25,280,000	92,906,744	(7,100,000)	85,806,744
Issued of ordinary share capital (unit)	3.3	2	631,999,998	632,000,000		632,000,000	158,000,000	790,000,000
Net assets per share (RM)		(15,533)		0.06		0.10		0.07
Borrowings (RM)		-		17,622,882		17,622,882		13,622,882
Gearing (Times)		-		0.48		0.29		0.23

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

3. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.1 PROPERTY, PLANT AND EQUIPMENT

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

	Amount RM
As at 31 December 2018	-
Pursuant to acquisition of subsidiary	23,135,620
As per Pro Forma I and II	23,135,620
Utilisation of proceeds	13,000,000
As per Pro Forma III	36,135,620

3.2 CASH AND BANK BALANCES

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

	Amount RM
As at 31 December 2018	4,933
Pursuant to acquisition of subsidiary	3,925,964
As per Pro Forma I	3,930,897
Pursuant to public issue	25,280,000
As per Pro Forma II	29,210,897
Estimated capital expenditure	(13,000,000)
Repayment of bank borrowings	(4,000,000)
Estimated listing expenses	(3,100,000)
As per Pro Forma III	9,110,897

3.3 SHARE CAPITAL

The movements of the issued share capital are as follows:

	No. of Shares	Amount RM
As at 31 December 2018	2	2
Pursuant to issuance of share for the acquisition of subsidiary	631,999,998	31,600,000
As per Pro Forma I	632,000,000	31,600,002
Pursuant to public issue	158,000,000	25,280,000
As per Pro Forma II and III	790,000,000	56,880,002

MESTRON HOLDINGS BERHAD AND ITS PROPOSED SUBSIDIARIES

3.4 MERGER DEFICIT

The movements of the merger deficit are as follows:

	Amount RM
As at 31 December 2018	-
Pursuant to acquisition of subsidiary:-	
Issuance of shares of Mestron	31,600,000
Share capital of proposed subsidiary	(2,500,000)
As per Pro Forma I to III	29,100,000

3.5 RETAINED EARNINGS

The movements of the retained earnings are as follows:

	Amount RM
As at 31 December 2018	(31,067)
Pursuant to acquisition of subsidiary	33,921,824
As per Pro Forma I and II	33,890,757
Estimated listing expenses	(3,100,000)
As per Pro Forma III	30,790,757

3.6 BORROWINGS – NON-CURRENT

The movements of the borrowings are as follows:

	Amount RM
As at 31 December 2018	-
Pursuant to acquisition of subsidiary	14,933,783
As per Pro Forma I and II	14,933,783
Estimated repayment of bank borrowings	(3,837,704)
As per Pro Forma III	11,096,079

3.7 BORROWINGS – CURRENT

The movements of the borrowings are as follows:

	Amount RM
As at 31 December 2018	-
Pursuant to acquisition of subsidiary	1,139,601
As per Pro Forma I and II	1,139,601
Estimated repayment of bank borrowings	(162,296)
As per Pro Forma III	977,305

13. ADDITIONAL INFORMATION

13.1 EXTRACT OF OUR 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) <u>Remuneration of Directors</u>

Clause 115 – Remuneration

The fees and any benefits payable to the Directors from time to time, be subject to annual shareholder approval at general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, except that any Director, who shall hold office for part only of the period in respect of which such fees are payable, shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, provided always that:

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors shall not include a commission on or percentage of turnover.

(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of that Director.

Clause 116 – Reimbursement and Special Remuneration

(a) The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise, howsoever, in or about the business of the Company in the course of the performance of their duties as Directors.

(b) If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular, without limiting to the generality of the foregoing, if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

(2) Voting and Borrowing Powers of the Directors

Clause 120 - Directors' Borrowing Powers

(a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party, Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's 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.

(b) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.

(c) Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or persons so becoming liable as aforesaid, from any loss in respect of such liability.

Clause 132 – Proceedings of Meeting

A meeting of the Directors, for the time being at which a quorum is present, shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution, vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes.

Clause 133 – Chairman has Casting Vote

In case of equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the question at issue, or at the meeting where only two (2) Directors form the quorum.

Clause 138 – Directors retained from Voting in Interested Transactions

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested, either as an officer of that other company or as a holder of shares or other securities in that other company.

Clause 140 – Director may Vote on the Giving of Security or Indemnity where he is Interested

Subject to Clause 138, a Director may vote in respect of:

(a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

By an ordinary resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and, either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause, may be ratified.

(3) Share Capital and Variation of Class Rights

Clause 60 – Increase of Share Capital

The Company may, from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 61 – Issue of New Shares to Existing Members

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may, likewise, also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.

Clause 62 – Alteration of Share Capital

The Company may alter its share capital by passing a special resolution to:

(a) consolidate and divide all or any of its share capital, 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 share is derived;

(b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions 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 share is derived; or

(c) cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 63 – Capital Reduction

The Company may, subject to the Act, by special resolution, reduce its share capital in any manner authorised by law.

Clause 25 – Modification of Rights

If at any time the share capital of the Company, by reason of the issuance of preference shares or otherwise is divided into different classes, the repayment of such preferred capital or all or any of the rights and privileges attached to each class of shares may subject to the provisions of Section 91 of the Act, this Constitution and the provisions of any written law, be varied, modified, commuted, affected, abrogated or dealt with by resolution passed by the holders of at least three-fourth of the issued shares of that class at a separate meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall mutatis mutandis apply to every such meeting except that the quorum hereof shall be two (2) persons at least holding or representing by proxy one third of the issued shares of the class and for an adjourned meeting one (1) person holding shares of such class.

Provided however that in the event of the necessary majority for such a resolution not having been obtained in the manner aforesaid consent in writing may be secured by members holding at least three- fourths of the issued shares of the class and such consent if obtained within two (2) months from the date of the separate meeting shall have the force and validity of a resolution duly carried. To every such resolution the provisions of Section 91 of the Act, shall with such adaptations as are necessary apply.

Clause 26 – Special Right to Any Class of Share

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.

Clause 12 – Power to Issue Preference Shares

The Company shall have power to issue preference shares ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner as they may think fit.

Clause 13 – Rights of Preference Shareholders

(a) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference shares and subject to the Act, preference shareholders shall have the same right as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending general meetings of the Company.

(b) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital of the Company or sanctioning a disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or on a proposal to wind up the Company or during the winding up of the Company, but shall have no other rights whatsoever.

(c) The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

Clause 17 – Shares Issued for Purposes of Raising Money for the Construction of Works or Building

Subject to Section 130 of the Act and any other conditions and restrictions prescribed by the Act, if any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant or equipment which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period, and may charge the sum so paid by way of interest to capital as part of the costs of construction of the work or building or the provision of plant or equipment.

(4) Transfer of Shares

Clause 49 – Transfer of Securities

The transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the Depository in accordance with the 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 Listed Security.

Clause 50 – Instrument of Transfer

(a) Every instrument of transfer (for any share not being a deposited security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the transfer, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.

(b) A fee not exceeding RM3.00 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof.

Clause 51 – Person Under Disability

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 52 – Refusal to Transfer and Notice of Refusal

(a) Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a deposited security, to a person of whom they shall not approve.

(b) If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

Clause 53 – Non-Liability of the Company, its Directors and Officers in Respect of Transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

13.2 LIMITATION ON RIGHT TO OWN SECURITIES

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.

13.3 SHARE CAPITAL

(a) Save as disclosed in Sections 4.4, 6.1 and 6.2, no shares of our Company or our direct and indirect subsidiaries have been issued or are prepared to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years preceding the date of this Prospectus.

(b) None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

(c) Save for 8,750,000 Shares under the Pink Form Allocations as disclosed in Sections 4.3.1(b) and 4.3.3, respectively,

(i) no Director or employee 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

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares.

13.4 CHANGES IN SHARE CAPITAL

13.4.1 Mestron Engineering

As at the LPD, Mestron Engineering's share capital is RM2,500,000 comprising 2,500,000 ordinary shares. The movements in the share capital of Mestron Engineering since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
		RM	RM
10 September 2002	2	2 / Subscribers' shares	2.00
16 July 2003	199,998	199,998 / Issue for cash	200,000
1 August 2005	300,000	300,000 / Issue for cash	500,000
15 December 2010	500,000	500,000 / Bonus issue	1,000,000
31 December 2015	1,500,000	1,500,000 / Issue for cash	2,500,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Mestron Engineering. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, the Directors of Mestron Engineering are Por Teong Eng and Loon Chin Seng.

13. ADDITIONAL INFORMATION *(Cont'd)*

The changes in the shareholding structure of Mestron Engineering since its incorporation up to the LPD are as follows:

No	Nature of issuance	Date	Transferor	Transferee/ allottee	No of shares allotted/ transferred by transferor	Resultant no. of shares held by transferee / allottee	%
1.	Subscriber's shares	10 September 2002	-	Loh Kuan Chween	1	1	50.0
			-	Yap Liee Mee	1	1	50.0
					2	**2**	**100.0**
2.	Transfer	25 September 2002	Loh Kuan Chween	Por Teong Eng	1	1	50.0
			Yap Liee Mee	Loon Chin Seng	1	1	50.0
					2	**2**	**100.0**
3.	Transfer	24 October 2002	-	Por Teong Eng	-	1	50.0
			Loon Chin Seng	Lee Woon Kee	1	1	50.0
					1	**2**	**100.0**
4.	Allotment of new shares	16 July 2003	-	Por Teong Eng	79,999	80,000	40.0
			-	Lee Woon Kee	119,999	120,000	60.0
					199,998	**200,000**	**100.0**
5.	Transfer	18 June 2004	Lee Woon Kee	Por Teong Eng	50,000	130,000	65.0
			Lee Woon Kee	Phua Chiu Keng	70,000	70,000	35.0
					120,000	**200,000**	**100.0**
6.	Allotment of new shares	1 August 2005	-	Por Teong Eng	70,000	200,000	40.0
			-	Phua Chiu Keng	230,000	300,000	60.0
					300,000	**500,000**	**100.0**
7.	Transfer	14 August 2006	-	Por Teong Eng	-	200,000	40.0
			Phua Chiu Keng	Loon Chin Seng	300,000	300,000	60.0
					300,000	**500,000**	**100.0**
8.	Transfer	31 December 2008	Loon Chin Seng	Por Teong Eng	25,000	225,000	45.0
			-	Loon Chin Seng	-	225,000	45.0
			Loon Chin Seng	Longmont Management Pty Ltd	50,000	50,000	10.0
					75,000	**500,000**	**100.0**
9.	Allotment of new shares	15 December 2010	-	Por Teong Eng	225,000	450,000	45.0
			-	Loon Chin Seng	225,000	450,000	45.0
			-	Longmont Management Pty Ltd	50,000	100,000	10.0
					400,000	**1,000,000**	**100.0**
10.	Transfer	11 July 2012	Longmont Management Pty Ltd	Por Teong Eng	50,000	500,000	50.0
			Longmont Management Pty Ltd	Loon Chin Seng	50,000	500,000	50.0
					100,000	**1,000,000**	**100.0**
11.	Allotment of new shares	31 December 2015	-	Por Teong Eng	750,000	1,250,000	50.0
			-	Loon Chin Seng	750,000	1,250,000	50.0
					1,500,000	**2,500,000**	**100.0**

13. ADDITIONAL INFORMATION *(Cont'd)*

No	Nature of issuance	Date	Transferor	Transferee/ allottee	No of shares allotted/ transferred by transferor	Resultant no. of shares held by transferee / allottee	%
12.	Transfer	25 April 2019	Por Teong Eng Loon Chin Seng	Mestron Holdings Mestron Holdings	1,250,000 1,250,000	2,500,000	100.0

13.4.2 Meslite

As at the LPD, Meslite's share capital is RM500,000 comprising 500,000 ordinary shares. The movements in the share capital of Meslite since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
		RM	RM
7 June 2010	2	2 / Subscribers' shares	2
18 September 2012	99,998	99,998 / Issue for cash	100,000
21 April 2016	400,000	400,000 / Issue for cash	500,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Meslite. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, the Directors of Meslite are Por Teong Eng, Loon Chin Seng and Pee Kok Keong.

The changes in shareholding structure of Meslite since its incorporation up to the LPD are as follows:

No	Nature of issuance	Date	Transferor	Transferee/ allottee	No of shares allotted/ transferred by transferor	Resultant no. of shares held by transferee / allottee	%
1.	Subscriber's shares	7 June 2010	-	Por Teong Eng	1	1	50.0
				Pee Kok Keong	1	1	50.0
					2	**2**	**100.0**
2.	Allotment of new shares	18 September 2012	-	Por Teong Eng	59,999	60,000	60.0
			-	Pee Kok Keong	39,999	40,000	40.0
					99,998	**100,000**	**100.0**
3.	Allotment of new shares	21 April 2016	-	Por Teong Eng	90,000	150,000	30.0
			-	Pee Kok Keong	160,000	200,000	40.0
			-	Loon Chin Seng	150,000	150,000	30.0
					400,000	**500,000**	**100.0**
4.	Transfer	3 April 2018	Por Teong Eng Loon Chin Seng	Mestron Engineering	300,000	300,000	60.0
			-	Pee Kok Keong	-	200,000	40.0
					300,000	**500,000**	**100.0**

No	Nature of issuance	Date	Transferor	Transferee/ allottee	No of shares allotted/ transferred by transferor	Resultant no. of shares held by transferee / allottee	%
5.	Transfer	25 April 2019	Pee Kok Keong	Mestron Engineering	200,000	500,000	100.0

13.4.3 Max Lighting

As at the LPD, Max Lighting's share capital is RM200,000 comprising 200,000 ordinary shares. The movements in the share capital of Max Lighting since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
		RM	RM
26 February 2016	4	4 / Subscribers' shares	4
10 August 2016	199,996	199,996 / Issue for cash	200,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Max Lighting. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

As at the LPD, the Directors of Max Lighting are Loon Chin Seng and Lee Yong Kong.

The changes in shareholding structure of Max Lighting since its incorporation up to the LPD are set out as follows:

No	Nature of issuance	Date	Transferor	Transferee/ allottee	No of shares allotted/ transferred by transferor	Resultant no. of shares held by transferee / allottee	%
1.	Subscriber's shares	26 February 2016	-	Loon Chin Seng	1	1	25.0
				Loon Chin Meng	1	1	25.0
				Lee Chun Heng	1	1	25.0
				Mohd Faizal Bin Mohd Noor	1	1	25.0
					4	**4**	**100.0**
2.	Allotment	10 August 2016	-	Loon Chin Seng	79,999	80,000	40.0
			-	Loon Chin Meng	39,999	40,000	20.0
			-	Lee Chun Heng	19,999	20,000	10.0
			-	Mohd Faizal Bin Mohd Noor	19,999	20,000	10.0
			-	Por Teong Eng	40,000	40,000	20.0
					199,996	**200,000**	**100.0**
3.	Transfer	16 March 2018	Loon Chin Seng Loon Chin Meng Lee Chun Heng	Mestron Engineering	140,000	140,000	70.0

13. ADDITIONAL INFORMATION *(Cont'd)*

No	Nature of issuance	Date	Transferor	Transferee/ allottee	No of shares allotted/ transferred by transferor	Resultant no. of shares held by transferee / allottee	%
			Por Teong Eng Mohd Faizal Bin Mohd Noor	Lee Yong Kong	60,000	60,000	30.0
					200,000	**200,000**	**100.0**
4.	Transfer	25 April 2019	Lee Yong Kong	Mestron Engineering	60,000	200,000	100.0

13.5 CONSENTS

(a) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary 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;

(b) 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 consolidated 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

(c) The written consent of the IMR to the inclusion in this Prospectus of their name and the IMR Report 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.

13.6 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:

(a) Constitution of our Company;
(b) The audited financial statements of Mestron Holdings for FYE 2018 and audited financial statements of our subsidiaries for the past 4 FYE 2015, 2016, 2017 and 2018;
(c) The Accountants' Report as set out in Section 11;
(d) The Reporting Accountants' reports relating to our pro forma consolidated financial information as set out in Section 12;
(e) The IMR Report as set out in Section 7;
(f) The material contracts as set out in Section 6.15; and
(g) The letters of consent as set out in Section 13.5.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF 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 COPY OF OUR 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.

14.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 23 May 2019

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 3 June 2019

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

LATE APPLICATIONS WILL NOT BE ACCEPTED.

14.2 METHODS OF APPLICATION

14.2.1 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.

Types of Application and category of investors	Application Method
Applications by our eligible Directors and employees	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

14.2.2 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.

14.3 ELIGIBILITY

14.3.1 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 copy of our 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.

14.3.2 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 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; or

(b) Electronic Share Application; or

(c) Internet Share Application.

14.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and 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.

14.4 APPLICATIONS BY WAY OF APPLICATION FORM

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 RM0.16 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 683"** 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) despatched 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

(ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their 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 3 June 2019 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.

14.5 APPLICATIONS BY WAY OF ELECTRONIC SHARE APPLICATION

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, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

14.6 APPLICATIONS BY WAY OF INTERNET SHARE APPLICATION

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, CIMB Investment Bank Berhad, 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.

14.7 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:

  (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 14.8 below.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

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.

14.8 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.

14.8.1 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).

(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).

14.8.2 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.

14.9 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.

14.10 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 Telephone at 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, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five 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 copy of our Prospectus on the website of Bursa Securities.