



## **EITA RESOURCES BERHAD**

Registration No. 199601026396 (398748-T)  
(Incorporated in Malaysia)

### **SUMMARY OF KEY MATTERS DISCUSSED AT THE TWENTY-EIGHTH ANNUAL GENERAL MEETING (“28<sup>TH</sup> AGM”) OF EITA RESOURCES BERHAD (“EITA” OR “THE COMPANY”) HELD ON MONDAY, 26 FEBRUARY 2024**

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#### **REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”)**

The questions received from the MSWG and the Company’s responses to the MSWG are as follows:-

**Q1: The decrease in the Group’s profit before tax was mainly due to high voltage system segment which registered a loss before tax of RM8.1 million. This was a result of lower revenues, higher project costs, especially for the unground cable projects and a higher provision for liquidated ascertained damages (“LAD”).**

- (a) Has the underground cable project been completed? If not, please provide expected completion date.**
- (b) How does the provision of liquidated ascertained damages arise?**
- (c) Is the Group expecting additional provision for the LAD?**

**A1: (a)** The high voltage system segment secured four (4) underground cable projects, of which three (3) have been completed. The balance of one (1) underground cable project was completed in the third (3rd) quarter of the financial year ending (“FYE”) 30 September 2024.

**(b)** The provision of liquidated ascertained damages arose due to the delays in the actual/estimated completion of the projects compared to the contractual completion date or the latest approved extension of time by the customer.

**(c)** The Group is not expecting any additional provision for LAD for the underground cable projects

**Q2: How do the uncertainties in major economies, weakening trade dynamics against a backdrop of supply chain disruptions and the ongoing trade tensions affect the margins of the Group in view that the PAT margin decreased from 5.19% for FYE 2022 to 2.31% for FYE 2023. Please quantify the impact where applicable. To also provide the specific measures taken to address the aforementioned challenges.**

**A2:** These macro environment challenges have resulted in the weakening of the Ringgit Malaysia against other major currencies that the Group utilised such as the USD, which has depreciated by 5.3% from an average rate of RM4.3042 : USD1.00 during the FYE 30 September 2022 to an average rate of RM4.5317 : USD1.00 during the FYE 30 September 2023.

To mitigate the risk of foreign currency fluctuations, the Group has entered into forward contracts to hedge the movement of foreign currency.

In addition, disruption to the supply chain has resulted in longer production and project implementation lead time. To mitigate this risk, the Group continuously engages with the customers, suppliers and shippers to manage any potential delay and time frame expectation gaps.

The Group has also increased the stock holdings of certain items that are frequently in demand such as magnetic circuit breakers, contactors, automatic switches and invertors. Furthermore, the Group is actively sourcing for alternative suppliers that are closer to the Group's operations to further minimise any potential supply chain disruption.

**Q3: "Having completed several elevator installations over 60 storeys high and running at 6 meters per second, EITA can now confidently tender for high-value, high-end residential and commercial complexes." (Page 25 of the Annual Report 2023 ("AR 2023"))**

**What are the high-value projects currently in the pipeline? How about the projects that may provide revenue visibility beyond FYE 2024?**

**A3:** As of 30 September 2023, the Group has approximately 10 high-value elevator projects which include Rapid Transit System (RTS) Link. In total, these high-value elevator projects comprise 220 elevator systems.

The Group's current order book as at 30 September 2023 stood at approximately RM434.72 million, of which the Elevator business order book as at 30 September 2023 was approximately RM196.35 million.

**Q4: The table below set forth the Group's trade and other receivables for the past 3 financial years:**

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
<b>Receivables (RM'000)</b>	<b>57,166</b>	<b>61,234</b>	<b>70,681</b>

**(a) Despite recorded a lower revenue, the receivables continued to increase during the FYE 2023. Please provide the reasons(s) for this upward trend in receivables.**

**(b) The impairment loss of RM6.90 million during the FYE 2023 was attributable to which customers? Does the Group still maintain ongoing business relationship with these customers?**

**(c) How much of the RM70.68 million receivables have been collected to-date?**

**A4:** (a) The Group experienced slower collection for the FYE 30 September 2023. Nevertheless, the overall trade receivables turnover days of the Group remain

below the average credit period given to the customers. Furthermore, approximately 56% of the Group's trade receivables for FYE 30 September 2023 are still within the credit period, while the proportion of those exceeding the credit period has decreased from 61% in FYE 30 September 2022 to 44% in FYE 30 September 2023 *(Please refer to pages 187 and 188 of the AR 2023)*.

- (b) The impairment loss of RM6.90 million comprises the following:

<b>Receivable impairment</b>	<b>RM' million</b>	
Impairment based on expected credit losses	2.67	Note (i)
Specific credit impairment	4.23	Note (ii)
<b>Total</b>	<b>6.90</b>	

*(Please refer to page 187 of the AR 2023)*

Note:

- (i) The impairment loss of RM2.67 million was based on the Group's expected credit loss rate in compliance with the Malaysian Financial Reporting Standard 9 – Financial Instruments. As such, the Group still maintains business relationships with these customers.
- (ii) The impairment loss of RM4.23 million was due to debts owed by 45 customers. Save for 14 customers for which the Group has imposed stricter credit terms, the Group has ceased business relationships with the other customers.
- (c) As at 31 January 2024, the Group has collected approximately 76% of the total outstanding receivables of RM70.68 million.

**Q5: Sustainability Matters**

**The use of company vehicles for product deliveries and services-related travel was the primary contributor to EITA's fuel consumption. (Page 60 of the AR 2023)**

**What steps is EITA taking to minimise the environmental impact of its vehicle fleet (Scope 1 GHG emissions)?**

**A5:** EITA is exploring the following steps to minimise the environmental impact on its deliveries and services-related travel.

(a) For product delivery logistics:

- Management is constantly working on the improvement of delivery efficiency in order to reduce the travelling distance and the number of trips made, such as:
  - Organising deliveries by zones
  - Increasing the minimal invoice order amount
  - Reducing daily deliveries that are beyond a certain radius
  - For smaller orders or items, our staff are encouraged to do the delivery when they have appointments with their customers
  - With better planning and understanding of the clients' project implementation timeline, we can reduce the frequency of deliveries by combining multiple shipments for the same or even for different projects
- Management will also consider working with logistic companies that have already invested in "Green" fleet

(b) As service-related travel:

- In particular, the EITA Elevator's Service Technicians (on motorcycles) are already divided into zones, to minimise travel distance and to respond faster.

(c) EV Charging stations (not directly related to our vehicle fleet):

- As an initiative to encourage the reduction of carbon footprints amongst staff travelling, management has also installed EV charging stations in the office (Bukit Raja and Subang).

## **QUESTIONS RAISED BY THE SHAREHOLDERS**

The questions raised by the shareholders and responses from the Company during the Meeting are summarised as follows:-

**Q1: What is the total number of elevators and escalators under service and maintenance by the company? Also, what is the number of elevators and escalators under work in progress?**

**A1:** We have more than 3,000 elevators and escalators currently under service and maintenance. The number of elevators and escalators under work in progress is approximately 600 units.

**Q2: Group order book updates:-**

- (1) What is the overall order book value for the Group?**
- (2) How much is the order book specifically for the High Voltage System segment?**
- (3) What is the order book value specifically for data centre-related projects?**

**A2:** Group order book updates:-

- (1)** The order book of the Group as of 30 September 2023 is approximately RM435 million.
- (2)** The order book for the High Voltage System Segment as of 30 Sept 2023, stands at approximately RM169 million.
- (3)** Specifically for data centre projects, the order book amounts to about RM23 million as of 30 September 2023.

**Q3: What are the total values of ongoing tender projects currently? Additionally, what has been the historical success rate of our tenders?**

**A3:** Over the course of the financial year ("FY") 2023, our Group had submitted bids and tenders with an estimated cumulative worth of RM1 billion. It's important to note that not all submitted bids or tenders will result in successful outcomes. Nevertheless, we maintain confidence in the competitiveness of our bids and believe they stand a fair chance of success.

**Q4: Are the current outstanding projects from the High Voltage System Segment still carrying higher project costs, such as material and subcontractor costs, higher provision for LAD, and higher administrative expenses?**

**A4:** Some of the current outstanding projects still carry higher project costs. Nevertheless, we are continuing to engage with the suppliers and subcontractors to manage the costing and project progress. As highlighted in the replies to MSWG, we do not expect any provision for LAD for the underground cable projects for the High Voltage System Segment.

**Q5: How much is the projected CAPEX for FY 2024?**

**A5:** The Group has earmarked approximately RM10 million for CAPEX in FY 2024. It's important to note that this figure is subject to ongoing review, contingent upon the Group's liquidity position and overall performance. Actual utilization of the allocated budget may vary accordingly.

**Q6: Do you think 2024 will be a better year than 2023, or do you expect it might be worse due to new challenges?**

**A6:** We hold an optimistic outlook for FY 2024, expecting it to outperform FY 2023. However, we remain mindful of potential challenges that could impact our performance and will manage them effectively.

**Q7:** **Will the Board consider giving e-vouchers to those participating in this AGM as a token of appreciation?**

**A7:** The Board and Management will take the suggestion into consideration.

**Q8:** **How much does the company spend on this virtual Annual General Meeting?**

**A8:** The cost for conducting this virtual 28<sup>th</sup> AGM is approximately RM20,000/-.

**Q9:** **The Group Revenue declined to RM316.870 million in FY 2023. However, the Trade and other Receivables increased further to RM70.681 million. What are the reason(s) for the slow collection in receivables in FY 2023 despite the lower revenue?**

**How much receivables were impaired in FY 2023 compared to FY 2022?**

**A9:** The question regarding the increase in trade and other receivables was addressed in replies to the Minority Shareholders Watch Group.

The impairment of receivables for FY 2023 is about RM7 million. For FY 2022 it was about RM6 million (please refer to pages 187 and 188 of the AR 2023)

**Q10:** **Borrowings in the form of bill payables increased by RM24.376 million in FY 2023 compared to FY 2022 (Note 31.5 - pages 191-192 of Annual Report 2023). The interest rate for the bill payables ranges from 4.24% to 7.82%. Given the availability of RM60.534 million in cash and cash equivalents, why is EITA opting for this form of financing with relatively high interest rates?**

**A10:** The bill payables are primarily derived from project financing provided by banks. EITA utilises this type of financing method to manage the cash flows of the projects over their duration, settling the outstanding amounts upon maturity.

**Q11:** **EITA completed several elevator installations over 60 storeys high in FY 2023 (Management Discussion and Analysis - page 25 of AR)**

**(1) What are the outstanding contracts for elevator installations currently?**

**(2) What is the current contract value outstanding for the maintenance & operations contracts for elevators and what is the tenure of such contracts?**

**A11:** (1) The total outstanding contract for the Elevator as of 30 Sept 2023 is about RM196 million.

- (2) The maintenance contracts which exclude repair sales for elevators will be renewed for a minimum of one year and a maximum of five years depending on negotiations with customers. The maintenance contracts will contribute yearly revenue of approximately RM26 million to the Group.

**Q12: What is the current outstanding RTS LINK (JB-Singapore) contract value and when will the contract expected to be completed?**

**A12:** The contract value for the RTS Link project is about RM15 million and has yet to commence as of 30 Sept 2023. The project will be executed in the new financial year and is expected to be completed in the year 2025.

**Q13: What is the current outstanding value of TransSystem Continental Sdn. Bhd.'s contracts in hand including the recently secured RM60 million in FY 2023?**

**A13:** The outstanding order book for the High Voltage Segment is approximately RM200 million, including the recent contract awarded as announced on 4 December 2023.