

Appendix A

Questions raised by shareholders and response from the Chairman during the Twenty-Seventh Annual General Meeting of the Company held at Topas Room, The Saujana Hotel Kuala Lumpur, Saujana Resort, Jalan Lapangan Terbang SAAS, 40150 Shah Alam, Selangor Darul Ehsan on Tuesday, 18th October 2016 at 9:30 a.m.

Q1. With reference to the Group's financial results, particularly its construction sector, the Group's revenue has decreased by approximately 50% while its profit decreased by about 81%. The results were drastic. What were the cause of the poor results?

A1. The Chairman informed that the Group's revenue was mainly contributed by its construction division. He continued that prior to the economic downturn, the Group was fully occupied and thus did not concentrate on securing new projects. The Chairman informed that if revenue is compared against profits, the Group showed a minor drop in percentage of 5% to 8%. It is mainly due to higher overheads, particularly depreciation cost which was charged at about RM16 million for the year. Further, the Group also encountered with keen competitors. The Chairman informed that these are not new competitors in the piling industry. However, they have become more aggressive after being listed. The Chairman opined that the Group may need to adjust its strategy by reducing margin to stay more competitive.

Q2. The Company has a good dividend payout ratio at 184%. However, it seems the dividend payout is more than the profits earned by the Group during the financial year. This might reduce the cash reserves of the Group. How is the relationship between the Group's cash and its reserves for investment in the equity market?

A2. The Chairman informed that the Company is able to maintain good dividend payout rate and in fact the dividend payout rate was increased this year. The Chairman agreed that this may reduce the Group's cash reserves. However, the Chairman informed that since the Company has sufficient cash to maintain good dividend payout, the Group did not want to disappoint shareholders.

The Chairman continued to inform that since 2 years ago, the Company has reduced its investment in equity market from RM60 million to about RM25 million to-date. This represents a small exposure against the Group's assets which is less than 10%.

Q3. The press reported that the Company had delayed in delivering piling works for Warisan KL-118 project. Can the Chairman advise on this?

A3. The Chairman informed that the Company has signed a confidential agreement with the client and as such, the Company is unable to disclose much to shareholders. However, the Chairman assured shareholders that the Company is not working at the site currently and the Company had completed its obligations as far as the Company is aware of.

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- Q4. Although the Company is unable to disclose much on the details of the Warisan KL-118 project, from the Company's point of view, what is the technical issue that the Company encountered? Is there any cost over-run that caused the Company to experience a lower profit for the financial year 2016?
- A4. The Chairman informed that the Group has experienced cost over-run for some projects. The Chairman highlighted that piling business deals with natural occurring materials and hence, the Group encounters risk levels which may be higher than the general construction industry. Risks being ground water and strength of soil that is below engineer's judgement. The Chairman continued to inform that there is a defects liability period upon completion of works. There is always a risk which is unavoidable.
- Q5. In delivering its works, is there any possibility of the Company asking for additional cost for unforeseen circumstance?
- A5. The Chairman replied that generally, the Company will not ask for additional cost. The Company will allocate a certain percentage for unforeseen costs that might be incurred. The Company sometimes benefits from this if the allocated unforeseen circumstance does not occur and vice-versa.
- Q6. The Chairman mentioned in the Chairman Statement that the Group needs to critically review its entire operations from tendering to job execution and human resource management. What is the measure to increase its revenue?
- A6. The Chairman informed that if the economic situation persist and the property market remains subdued, the Group might need to lower its margin. If the Company is able to lower its cost, perhaps it will not affect its level of margin substantially. The Chairman continued to inform that the Group has adequate contracts for the financial year 2017 and that the Group is operating at almost full capacity. In addition, the Group does not have a business model by securing more projects and sub-contracting to other sub-contractors to increase its revenue. As such, the Group was not so keen in securing more projects for the last 6 months.
- Q7. What is the full capacity of the Group at one time?
- A7. The Chairman informed that the Group's full capacity is about RM250 million to RM300 million depending on the composition of the contracts. He added that the Group owns one of the largest fleet of equipment in this industry.
- Q8. What is the balance of value of jobs on hand?
- A8. The Chairman informed that the Group has a balance of order book of about RM150 million for this year. The Group will be required to be more aggressive to secure jobs for the coming year 2017.
- Q9. With reference to the Chairman Statement, the Chairman mentioned that the lower margin was due to higher labour cost. How much is the labour cost as compared to last year? Kindly advise on the availability of labour and whether they are local or foreign workers.

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- A9. The Chairman informed that the labour cost has generally gone up. For general workers, most of them were foreign workers. Labour cost increased due to higher levy and higher cost of living expenses. The foreign workers have also demanded for higher wages, especially Indonesian workers as their home country is doing well. They have choices whether to work here or work at their home country. This has resulted in an increase of 10% to 20% in labour cost. On the other hand, the Group employs mainly domestic semi-skilled workers. They also are demanding higher pay due to higher cost of living. The market is facing a lack of semi-skilled workers, especially for crane operators where the Group is not allowed to employ foreign workers due to licensing issue.
- Q10. Has the Group any projects in East Malaysia, especially for the Pan Borneo Highway project? If yes, what is the order book for that particular project?
- A10. The Chairman informed that the Group has no project in East Malaysia.
- Q11. The availability of workers has great impact in delivering its works. Is that a major problem or only a minor problem? Is there a high turnover in the Group?
- A11. The Chairman informed that the lack of labour as well as management people like Project Managers and Site Supervisors is a major problem that will impact the progress of the projects. When there is a shortage of manpower, high turnover will result.
- Q12. Chairman mentioned that the Group has a balance of order book of RM150 million, is it inclusive of the potential tenders? How does the tender book look like?
- A12. The Chairman informed that currently the Group has outstanding works of about RM150 million and a tender book value of RM500 million to RM800 million.
- Q13. The Company recorded a decreased margin from 28% to 17%, could the Chairman elaborate on this? In the coming year of 2017, how will the margin look like?
- A13. As mentioned in the Chairman Statement, the Group should expect better prospects for year 2017. The Chairman informed that based on works on hand currently, the Group is expecting better results for the coming year.
- Q14. What is the investment strategy for investment in equity market?
- A14. The Chairman informed that the Company has a better return from its investment in equity market as compared to Fixed Deposits ("FDs"). The Company recorded a return from investment in equity market of about RM40 million since year 2000. The Company's strategy is to allocate some funds from its excess cash to invest in equity market. However, as mentioned earlier, the Company has reduced its investment in equity market from RM60 million to about RM25 million 2 years ago. The Company has also allocated excess funds into FDs and invested in Islamic funds for the Company to remain Syariah-compliant. This generally gives a return of about 3% to 4%. Short term investments enable the Company better access to cash whenever the Company requires cash for acquisition of businesses and expansion of its business for instance. High cash reserves also show that the Company is financially strong and it helps to create a good reputation to attract reliable sub-contractors and suppliers to deal with the Company.

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Q15. With reference to receivables of the Group in page 71 of the Annual Report, the receivable amount looks almost the same, is there any collection problem?

A15. The Chairman agreed that the receivable amount for this financial year appeared almost the same as compared to last year. However, if the receivable amount is compared against its revenue for the financial year, the receivable amount is considered high. This is mainly due to slow payment by 2 projects. Although there is a possibility for bad debts impairment, the Management will try to manage the matter carefully and consciously. Based on the Group's previous track record, the Chairman opined that it is pretty good since the last financial crisis as the actual impairment is low. The Chairman informed that this is also one of the reasons that the Group is very careful in selection of works. The Group may have to forgo the opportunity of getting some projects where there is possibility of difficulty in collection of payment.

The Chairman informed that last year the Group has purchased 2 boring machines amounting to RM11 million. The Group will buy new equipment but will not expand its capacity currently until infra-projects which are expected to be launched soon. The Group will consider to expand its capacity next year. At this juncture, the Company will continue to be more conservative until the market has turned around.

Q16. There is not much change in its manufacturing division. What is the Group's strategy in regards to its manufacturing division? Is the Group going to expand its manufacturing business?

A16. The Chairman informed that the Group acquired its manufacturing business in year 1999 when the construction business was down. The Group made use of the opportunity to diversify its business. The Chairman informed that the Group has bought over the manufacturing business at RM12 million at that time and it has contributed an exceptional return to the Group.

The Chairman continued to inform that the Group's manufacturing division is in industrial can business but not food & beverage ("F & B") can business. The F & B can business is dominated by Kian Joo. It is not easy to enter into the F & B can business as it is hard for the F & B businesses to change their current can suppliers. Although the business for the Group's manufacturing division is not growing, it has contributed good cashflows to the Group. It is considered as a good acquisition which is not easy to come by.

Q17. The Company has no share buy back as at to-date, is the share price too high?

A17. The Chairman informed that the share buy-back authority serves as a contingent plan for the Company to buy back its shares if the share market is irrational. The Company has no intention to buy back its shares at the moment.