PINTARAS JAYA BERHAD
Registration No. 198901012591 (189900-H)
(Incorporated in Malaysia)

Thirty-Fourth Annual General Meeting ("AGM")
held on Friday, 20 October 2023 at 10.00 a.m
at OWG, Inspire Ballroom, Jalan Pelukis U1/46, Section U1, Temasya Industrial Park, Glenmarie, 40150 Shah Alam, Selangor Darul Ehsan

QUESTIONS & ANSWERS

A) QUERIES FROM MINORITY SHAREHOLDERS WATCH GROUP ("MSWG")

The Company had received a request from the MSWG dated 4 October 2023 to table the following questions at the AGM. The answers/responses given by the Company were as detailed hereunder:

Operational & Financial Matters

1. AGM Agenda 6 - To note that Messrs PricewaterhouseCoopers PLT, the retiring auditors have expressed that they will not seek for re-appointment as auditors of the Company. (Page 2 of Annual Report 2023)

   What is the reason for Messrs PricewaterhouseCoopers PLT not seeking for re-appointment as auditors of the Company?

   Response: As stated on page 24 of the Annual Report 2023, the retirement of PWC is due to a disagreement regarding the fees associated with conducting the audit for the next financial year.

2. The Group's construction segment incurred a loss of about RM5 million compared to a PBT of RM48 million last FY. The loss was attributable to MY operations despite a positive PBT for SG operations. (Page 37 of Annual Report 2023)

   (a) What is the gross margin and pre-tax profit or loss for the Malaysia operation and Singapore operation respectively in FY2023?

   Response: Malaysia construction operation incurred a loss before tax of about RM23 million while Singapore operation's gross margin is below 15% and its PBT is about RM18 million.

   (b) What is the Group's latest order book?

   Response: The Group's latest order book as at end of September 2023 is about RM245 million.

3. Liquidated damages imposed for late delivery of projects also were substantial. The Group remains on a cautious mode in tendering activities while completes jobs in hand. These unprofitable projects should be completed by 1H2024. (Page 37 of Annual Report 2023)

   (a) What is the amount of liquidated damages imposed to the Group in FY2023 as compared to FY2022?

   Response: The amount of liquidated damages imposed on the Group in FY2023 was RM10.9 million as compared to RM0.60 million in FY2022.

(b) As at 30 June 2023, what is the number of unprofitable projects on hand and what is the remaining contract sum of the unprofitable projects?

Response: As at 30 June 2023, there are a total of 6 unprofitable projects on hand and the remaining contract sum of the unprofitable projects is about RM28 million.

(c) What is the expected loss arising from these unprofitable projects and had the expected loss fully recognised as expenses as at 30 June 2023?

Response: The expected loss arising from these unprofitable projects is RM9.5 million and it has been fully recognised as expenses as at 30 June 2023. Please refer to page 107, Note 25 of the Annual Report 2023.

4. Tender prices are currently very competitive and the Group remain very vigilant. (Page 37 of Annual Report 2023)

(a) What is the range of targeted profit margin for the current tender in construction segment?

Response: The range of target profit margin for the current tender in the construction segment is generally 0 – 10%.

(b) While the tender price is very competitive, what are the tender strategies of the Group and what are the competitive advantages of the Group over the competitors to secure new contracts?

Response: Our tender strategies and competitive advantages can be summed up as follows:

(i) Reliance on our good reputation to deliver quality and timely completion of projects;
(ii) Manage our costs;
(iii) Be selective on clients;
(iv) Stay in positive territory i.e. do not lose money; and
(v) We have a well-balanced and reliable fleet of equipment with a wide range of capabilities.

5. The Group acquired 4 units of residential SOHO at Ara Damansara during FY 2023. In addition, the Group possess another 3 units of residential 3-storey semi-detached house at Cyberjaya. The total net book value of these residential properties amount to RM7.25 million as at 30 June 2023. (Page 127 of Annual Report 2023)

(a) What is the current usage of these residential properties? Had these residential properties been rented out to third parties for rental income or for own use?

Response: These residential properties are currently vacant.

(b) Are these residential properties being classified as Investment Properties or Property, Plant and Equipment in the Statements of Financial Position?

Response: The 4 units of residential SOHO held by the Company are classified as Investment Properties whereas the 3 units of residential 3-storey semi-detached house held by the Company's subsidiary are classified as Inventories.

B) FEEDBACK/QUESTIONS RAISED BY THE SHAREHOLDERS/PROXIES OF THE COMPANY DURING THE AGM AND ANSWERS/RESPONSES GIVEN BY THE COMPANY

1. The Company is a long-established piling construction company and it has been performing well over the years. The Group earned profit of RM41 million for FY2022 but incurred loss of RM2 million for FY2023. I hope that the Company can recover and manage well for the next financial year.

   Response: This is the second time since 1994 that the Company has incurred a loss after tax ("LAT"). The first time for the LAT was in Nineties due to the Asian financial crisis while the poor performance of the Company in FY2023 was attributed to the impact and consequences of the Covid-19 pandemic. The Company anticipated to rebuild in FY2024 even though it will be a tough year, but the performance will not be as poor as it was in FY2023.

2. There are four Board members from Chiu's family. Please note that this may lead to conflict of interest.

   Response: This question is unclear. All Directors of the Company commit to the collective and group decision-making process of the Board and discharge Board duties and responsibilities as fiduciaries of the Company and shareholders. In addition, the Independent Directors of the Company provides a check and balance by bringing objectivity and independent judgement to the Board's deliberation based on their experience and expertise.

3. The borrowing of the Company is just right and the Company is well-managed on the financing aspect of the Company.

   Response: The borrowings of the Company are mainly hire-purchase facilities and property loans in the Singapore ("SG") division. They are financed by banks in SG with low interest rates. Both divisions in SG and Malaysia ("MY") are in net cash position and the amount of borrowings in SG is relatively small.

4. How is the Company compared to its competitors in the piling construction sector particularly in tendering process?

   Response: Tender prices are competitive and very low. They are sometimes below our costs. The Company will remain cautious in selecting tender opportunities to avoid a loss situation. The construction divisions in MY and SG are both competitive with the MY division particularly struggling.

5. Can you elaborate on the reason that the external auditors are not seeking for re-appointment and is there any possibility of re-negotiating the audit fee?

   Response: It was clearly stated that the retirement of PWC is due to a disagreement regarding the fees associated with conducting the audit for the next financial year. Both the Company and PWC have made a concerted effort to maintain the relationship. However, it was not successful and therefore, the Group is now required to identify a new firm of auditors.

6. Can I have the explanation from the external auditors about their retirement?

   Response: The Chairman invited Dato' Theng Bee Han, a representative from PWC for the explanation and he concurred with explanation from the Chairman that the retirement of PWC was due to a disagreement regarding the fees.

7. When will be the new auditors be appointed and what is the timeline?

   Response: The Company is currently in the process of identifying a suitable audit firm to be appointed as new auditors as soon as possible. The Board together with the Audit Committee of the Company will conduct the evaluation process for the selection and appointment of the new firm of external auditors. The Company is aware of the timeline for the appointment of auditors.

8. Based on the earlier answer about tender price, the competitors seemed to lack rationality. What is the reason that the competitors' tendering prices are low? Is this because they need to generate cash flow?

   Response: They may not be irrational even if their tendering price is low. This is because the costs' structure and objective of their company could be different from us. It can be lower or higher in costs depending on different situations such as cash flow consideration and manpower management. If there are too many players in the industry and market demand is insufficient, it would also lead to lower tender price.

9. Do you think that the industry is consolidating?

   Response: The industry is consolidating. There are some players that had been forced to shut down or gone into dormant mode. It is not going to be a quick turnaround and hence, FY2024 will continue to be challenging.

10. Will these prices remain competitive for a few years?

    Response: At least for six to twelve months. The situation in MY and SG is different to a certain extent. The recovery for the construction industry in SG should be faster than in MY and is expected to occur in early 2024.

11. Can you share the edge of the Company?

    Response: This is depending on certain ground conditions and how we deal with it. Our expertise and range of equipment enables us to provide more cost-effective solutions to our clients.

12. What is the disposal of Properties, Plants and Equipment (PPE) of RM25 million?

    Response: It was a disposal of industrial land to Sen Heng Electric (KL) Sdn Bhd, located at Bukit Raja.

13. Is there any safeguard against the offset of payment via purchase of the developer's property arising from the tender contract?

    Response: It is our policy not to have this type of arrangement. However, certain situation requires us to accept such as when our client is unable to pay in cash within the agreed period and requested us to accept payment through the purchase of their property.

14. What is the strategy of the Company to overcome the difficulty? Will it diversify?

    Response: Diversification is something we always consider for the Group. Our business operations have traditionally been situated in Klang Valley. However, our operations are not restricted to only Klang Valley. We will explore other regions such as Penang and Johor if there are opportunities. We have carried out work in Sarawak before.

15. Will you still maintain your core businesses and focus on core businesses during the tough times?

    Response: We remain focused on our core businesses as our setup and structure are already designed for our traditional core businesses. For our manufacturing division, we shall try to expand by increasing our capacity. During tough times, everything is challenging. We need to minimize our losses and maintain our manpower. The construction industry is heavily dependent on government policies as they create the economic environment.

16. How does the order book of RM245 million compare with order book one year ago?

    Response: The order book has declined as compared to a year ago where the order book was about RM300 million.