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

Thirty-Fifth Annual General Meeting ("AGM")
held on Friday, 25 October 2024 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 16 October 2024 to table the following questions at the AGM. The answers/responses given by the Company were as detailed hereunder:

Operational & Financial Matters

1. The construction segment widened its loss before tax to RM20 million, compared to about RM5 million in the previous financial year. Losses were primarily recorded in the Malaysia operations, although Singapore operations remained profitable. The primary factors contributing to losses in Malaysia were liquidated damages due to late delivery, and increased material and labour costs from projects initiated during the COVID period. These projects are essentially completed (Page 39 of AR2024).

   (a) What were the pre-tax profits or losses for the Malaysia and Singapore operations, excluding fair value gains or losses on financial assets, in FY2024?

   Response:
   Malaysia's operations incurred a pre-tax loss of about RM32 million while Singapore's operations' profit before tax was about RM12 million.

   (b) What was the total amount of liquidated damages recognised in FY2024? Is the Group solely responsible for the delays, and are there possibilities to claim or recover these costs?

   Response:
   The total amount of liquidated damages recognized was about RM15 million. We have submitted extension of time applications to be evaluated and hopefully the penalties can be reduced.

   (c) Revenue from Malaysia operations was significantly reduced to only RM886k from RM40.1 million in the previous year as the Group focused on completing unprofitable legacy projects. With these projects now essentially completed, what strategies and focus will the Malaysia operations have in FY2025?

   (d) What is the estimated revenue required for Malaysia operations to reach breakeven, assuming a conservative profit margin in the face of intense competition? Does the Board anticipate breakeven for Malaysia operations in FY2025?

   Response for (c) and (d):

   Malaysia's construction work done was about RM15 million. The revenue of RM0.9 million was recorded after deducting liquidated damages. The Malaysian piling market suffers from over capacity at the current level of construction activities and will remain so for FY2025. Margins will be very low and rates very competitive. It is a difficult balance to keep resources occupied and have margins for jobs. Our estimated breakeven point is currently about RM80 million. We have to consider downsizing to reduce overheads. It is unlikely the Malaysian piling operations will be profitable in FY2025.

2. Meanwhile, operations in Singapore performed comparatively well in the face of intense competition and thin margins (Page 36 of AR2024).

   (a) What was the gross profit margin for Singapore operations in FY2024, and what are the anticipated gross margin for FY2025?

   Response:
   The gross profit margin for Singapore's operations in FY2024 is at a single digit level but we expect better flow of profits and higher gross margin for FY2025.

   (b) Considering the intense competition, will Singapore operations maintain the current gross profit margin level in upcoming tenders or opt for lower margin to secure contracts?

   Response:
   We will strike a balance between margins and capacity utilization.

3. The operational pace in Singapore improved in the last quarter of FY2024, achieving 100% capacity utilisation (Page 39 of AR2024).

   (a) While it is encouraging to see improvement in capacity utilisation from below 70% in the prior year, what strategies does the Group plan to address capacity bottlenecks? To what extent will profit margins be affected if the Group subcontracts work or rents machinery from third parties?

   Response:
   Capacity inadequacies can be covered by the capacity of Malaysia.

   (b) What is the budgeted capital expenditure for Singapore operations in FY2025?

   Response:
   We do not have a budget for capital expenditure for Singapore's operations in FY2025. However, we will purchase equipment when the need arises.

4. Orderbook/Tender book

   (a) What are the current outstanding orderbook and tender book size?

   Response:
   The Group's current outstanding orderbook as of end September 2024 and tender book size are about RM170 million and more than RM1 billion respectively.

(b) What was the orderbook replenishment for FY2024, and did it meet the Board's expectations?

Response:
The orderbook replenishment for FY2024 was about RM250 million. This was below the management's target.

(c) What is the target for orderbook replenishment in FY2025?

Response:
The target for orderbook replenishment in FY2025 is RM400 million to RM500 million.

5. The Group's provision for rectification costs and provision for foreseeable loss stood at RM19.0 million and RM7.4 million, respectively at the end of FY2024 (Page 82 of AR2024).

(a) To which projects do these provisions for rectification costs and foreseeable losses pertain, and where are these projects located?

Response:
The provisions for rectification costs and foreseeable losses were allocated for projects in Malaysia and Singapore. Projects in Singapore accounted for more than 90%.

Sustainability Matters

1. The Group's endeavour to minimise material wastage and reduce the environmental impact of its operations. The Group monitor every project by setting a theoretical percentage of tolerable wastage and recording the actual material wastages for its raw materials (Page 30 of AR2024).

Material	**Targets for Tolerable Average Wastage**	**Average Wastage in FY2023***	**Average Wastage in FY2024**
Steel Bars (Foundation Works)	5%	6.6%	7.8%
Steel Bars (Structural Works)	7%	7.5%	7.8%

*(Page 30 of AR2023)

(a) What were the reasons for the increase in the average wastage of steel bars in FY2024, and why did it deviate further from the established targets?

(b) What additional measures will the Group take to reduce steel bar wastage?

Response for (a) and (b):
Wastage percentages are within tolerance. However, with better supervision and control, these numbers can be reduced.

Corporate Governance Matters

1. Since FY2023, the Company has applied Practice 5.9 of the Malaysian Code on Corporate Governance 2021 (MCCG) which advocates that the Board comprises at least 30% women directors.

   What benefits has the Board experienced from increased gender diversity among its members? How has the Board's performance been impacted by these benefits?

   Response:
   The Board appoints its members based on their qualifications, experience and how their participation may strengthen the performance of the Board as a whole. Gender was not the only consideration.

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

1. Based on the response given by the Company to MSWG in respect to the current outstanding tender book, will there be any improvement in construction operations in Malaysia?

   Response:
   Compared to last year's tender book, there is improvement in terms of value and number of tenders. However, there are insufficient jobs, existing capacity is excessive and prices are unfavorable. These have resulted in tenders being submitted at very low rates. Achieving a mutually beneficial outcome is challenging, hence the Company has to proceed with caution. With the absence of mega projects in coming years, the operations in Malaysia are likely to face losses for FY2025.

2. Will the Company be impacted by new measures in Budget 2025?

   Response:
   It will definitely impact the Company in terms of operating costs, particularly with the implementation of the new minimum salary range and EPF contributions for foreign workers.

3. Has the Board of Directors or the association of the construction sector appealed to the government on the implementation of the EPF contributions for foreign workers?

   Response:
   Master Builder Association Malaysia has expressed its opposition and has urged the government to reconsider the implementation of EPF contributions for foreign workers.

4. Do you plan to reduce manpower and administrative costs for the operations in Malaysia?

   Response:
   We will not breakeven for the construction operations in Malaysia for FY2025. We have to consider downsizing. Some of our extra equipment capacity has been sent to the operations in Singapore. In terms of staffing, we will not recruit further or increase our workforce and will allow for natural attrition and avoid retrenchment.

5. For the Company’s investment portfolio, do you engage a third party to manage the risk, or how do you manage it?

   Response:
   Regarding the Company’s equity investments, we have engaged professional fund managers to oversee it. We receive monthly reports and conduct regular reviews. While we do not influence their purchasing decisions, our clear intention is to focus on long-term investments rather than trading.

6. I would like to seek clarification regarding the disaggregation of revenue of RM886,472 recorded for FY2024 compared to RM40 million recorded for FY2023 (Page 83 of AR2024).

   Response:
   These figures represent the accounting revenue, which reflects the value of work completed. In accounting standards, the liquidated ascertained damages (LAD) must be subtracted from the work done.

7. Will the revenue for on-going projects be shown in next year’s financial statements?

   Response:
   Yes, it will.

8. I would like to seek clarification on the reconciliation of the cash flow figures related to "Other Investments" (Page 73 of the AR2024). Specifically, it mentions investments in equity fund gained profit of estimated RM2 million. Additionally, the value of assets and quoted shares in Malaysia has increased by RM6 million, which reflected significant market improvement. My follow-up question is: How much has been allocated to "Other Investments"?

   Response:
   We have been doing this since 2000. Whenever we have extra cash and interest rates are low, we explore opportunities to acquire new businesses, start new ventures or launch new income streams. We also allocate funds to fund managers for better returns. Last year, we liquidated RM2 million and directed it to our manufacturing division to purchase new equipment. In line with our dividend history, we also returned additional cash to shareholders through dividends.

9. What is the sale of the completed property of RM1.5 million recorded on page 84 of the AR2024? Are certain properties such as properties located in Cyberjaya listed under the List of Properties considered investment properties?

   Response:
   All these are contra properties and booked in as stock.

9. Any chance for the Group to acquire a new business or start a new venture in the developer industry?

   Response:
   We face challenges in diversification and acquisition, but we are constantly exploring opportunities to expand and diversify.

10. Regarding equity investments, how is dividend calculated? How are the dividends paid to the Company? Are dividends considered part of the Company's profit?

   Response:
   Fund managers mark the portfolio value to the market and any dividends or gains are calculated and added to the Company's profit.

11. What is the reason for the renewal of the proposed share buy-back? Given the limited free float of the shares, is the Company considering privatization?

   Response:
   The Company has not purchased any of its shares since the mandate was put in place. The purpose of renewing the proposed share buy-back is to seize the opportunity to acquire undervalued shares if it arises. While our shares are currently undervalued, we believe that now is not the right time to make any purchases. Regarding liquidity, approximately 30% to 40% of the shares are in free float, allowing shareholders to buy shares as they wish.

12. With overcapacity in the construction sector in Malaysia and the challenges it faces, could you explain why some players are behaving irrationally with pricing?

   Response:
   The Covid-19 pandemic had a significant negative impact on the construction industry, causing many projects being put on hold during the lockdowns. Some piling work was completed during this period. Since then, these projects have resumed, leading to an increase in superstructure contracts being awarded. This gives the impression that the construction sector is recovering, although much of the activity is a continuation of work delayed by the pandemic. For us, piling works account for half of these projects. With much of the piling already been completed, our market share in this area is limited. Given the overcapacity in the market, some players are forced to lower their prices to balance their costs and maintain operations, even if it means incurring losses.

13. What about the Singapore market? They seem to be performing well. Is this because there are plenty of projects there despite intense competition?

   Response:

   The construction sector in Singapore is different from Malaysia's. Their market is competitive and open, with numerous projects available and is expected to continue growing in both volume and value. Over the years, our revenue from operations in Singapore has declined as we have become more selective in the projects we take on, focusing on avoiding low-margin projects. However, we have built up significant capacity in Singapore and we are fortunate to be able to tap into this capacity. We have also deployed some of our resources to Singapore to help maximize this opportunity.

14. I would like to express my compliments to the Board for effectively managing the Group as the balance sheet remains strong and balanced despite the challenges impacted by Covid-19 resulting in the downturn of the business.

    Response:
    Thank you.

15. Are there any opportunities to explore the markets in Sabah or Sarawak?

    Response:
    Federal government has increased their allocation to East Malaysia. While we operated in Sarawak many years ago, we have not had a presence in Sabah. Part of the reason is due to payment risks. We are unfamiliar with the situation in the region and we will consider exploring opportunities but we are not planning to pursue it as a full-scale business venture at this time.

16. Based on the details in the financial statements, the payment of Directors has increased significantly. Could you confirm if the size of the Board has expanded?

    Response:
    The increase in payment of Directors is attributable to the remuneration of the Director based in Singapore, which was affected by exchange rate differences. The size of the Board has remained unchanged.

17. The following are my comments and suggestions for improving the logistics arrangement for the AGM:

    i) The Company's Share Registrar should inform us the mode of the AGM once the registration for participation in the AGM is confirmed. I received a notice indicating that there was an option for online participation;
    ii) There were no clear instructions regarding the provision of breakfast;
    iii) There were insufficient annual reports;
    iv) Proper signage should be placed around the venue;
    v) More details should be indicated in the notice such as location link as the location is neither accessible nor feasible;
    vi) Consider using social media platforms to encourage more participation from shareholders; and
    vii) The Company should provide token of appreciation.

    Response:
    Thank you for your comments and suggestions, which we have duly noted. As a token of appreciation, we have declared a dividend despite the group incurring losses.