

Annual Report & CG Report

ADVANCECON HOLDINGS BERHAD

Annual Report for Financial Year Ended 31 Dec 2020

Subject Annual Report & CG Report - 2020

Please refer attachment below.

Attachments

[Advancecon - Corporate Governance Report 2020.pdf](#)
381.0 kB

[Advancecon - Annual Report 2020.pdf](#)
1.0 MB

Announcement Info

Company Name	ADVANCECON HOLDINGS BERHAD
Stock Name	ADVCON
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ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))

LEADING FORWARD

ANNUAL REPORT 2020

ABOUT ADVANCECON

These core values from an integral part of our corporate culture which is geared towards long-term success:



TEAMWORK

We are team players and we work together to achieve our common goals.



PROFESSIONALISM

We act with professionalism and integrity in everything we do and with everyone we deal with.



CUSTOMER FOCUS

We are passionate with everything we do and we place our customers at the heart, constantly delivering our best with quality and exceeds our customer expectations.



SOLUTION PROVIDER

We are real partner who consistently offer valuable solutions to our clients.



OUTSTANDING VALUE

We constantly strive to push the limits and surpass standards of excellence at every opportunity.



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ABOUT ADVANCECON



www.advancecon.com.my



VISION

To become the leading earthworks and civil engineering services contractor in Malaysia, specialising in bulk earthworks and major infrastructure works.



MISSION

To be recognised as Malaysia's premier earthwork and civil engineering services provider as reflected in our outstanding contribution to the nation's infrastructure and township development.



24th ANNUAL GENERAL MEETING

VENUE

Green III (Sports Wing)
Tropicana Golf & Country
Resort, Jalan Kelab Tropicana
47410 Petaling Jaya
Selangor Darul Ehsan

DATE

Thursday, 17 June 2021

TIME

10.00 a.m.

CORPORATE INFORMATION

BOARD OF DIRECTORS

YEOH CHONG KEAT

Independent Non-Executive Chairman

DATO' PHUM ANG KIA

Executive Director and Group Chief Executive Officer

LIM SWEE CHAI

Executive Director and Deputy Group Chief Executive Officer

IR. YEO AN THAI

Executive Director and Group Chief Operating Officer

TUNG KAI HUNG

Executive Director

MOHD ZAKY BIN OTHMAN

Independent Non-Executive Director

FATHI RIDZUAN BIN AHMAD FAUZI

Independent Non-Executive Director

AUDIT COMMITTEE

Mohd Zaky bin Othman (*Chairman*)

Yeoh Chong Keat

Fathi Ridzuan bin Ahmad Fauzi

REMUNERATION COMMITTEE

Fathi Ridzuan bin Ahmad Fauzi

(*Chairman*)

Yeoh Chong Keat

Mohd Zaky bin Othman

NOMINATION COMMITTEE

Yeoh Chong Keat (*Chairman*)

Mohd Zaky bin Othman

Fathi Ridzuan bin Ahmad Fauzi

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

Fathi Ridzuan bin Ahmad Fauzi

(*Chairman*)

Ir. Yeo An Thai

Tung Kai Hung

EMPLOYEES SHARE OPTION SCHEME COMMITTEE

Dato' Phum Ang Kia (*Chairman*)

Lim Swee Chai

Ir. Yeo An Thai

COMPANY SECRETARIES

Tan Tong Lang

(SSM PC No. 201908002253/
MAICSA 7045482)

Thien Lee Mee

(SSM PC No. 201908002254/
LS0009760)

REGISTERED OFFICE

Level 5, Block B, Dataran PHB

Saujana Resort, Section U2

40150 Shah Alam

Selangor

Telephone no.: 03-7890 0638

Facsimile no.: 03-7890 1032

HEAD OFFICE

No. 16, 18 & 20, Jalan Pekaka 8/3

Seksyen 8, Kota Damansara

47810 Petaling Jaya

Selangor Darul Ehsan

Telephone no.: 03-6157 9563

Facsimile no.: 03-6157 0469

Website: www.advancecon.com.my

E-mail: info@advancecon.com.my

AUDITORS

Crowe Malaysia PLT

(LLP0018817-LCA & AF1018)

Chartered Accountants

Level 16 Tower C, Megan Avenue II

12 Jalan Yap Kwan Seng

50450 Kuala Lumpur

Telephone no.: 03-2788 9999

Facsimile no.: 03-2788 9998

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad

Al Rajhi Banking & Investment

Corporation (M) Berhad

HSBC Bank Malaysia Bhd

Hong Leong Bank Berhad

Public Bank Berhad

United Overseas Bank (Malaysia)

Berhad

Bank Of China (Malaysia)

Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd

11th Floor, Menara Symphony

No. 5, Jalan Professor Khoo Kay Kim

Seksyen 13

46200 Petaling Jaya

Selangor Darul Ehsan

Telephone no.: 03-7890 4700

Facsimile no.: 03-7890 4670

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities

Berhad

Construction (Shariah-compliant stocks)

Stock Code.: ADVCON

Stock No.: 5281

DATE & PLACE OF INCORPORATION

9 April 1997, Malaysia

WEBSITE

www.advancecon.com.my

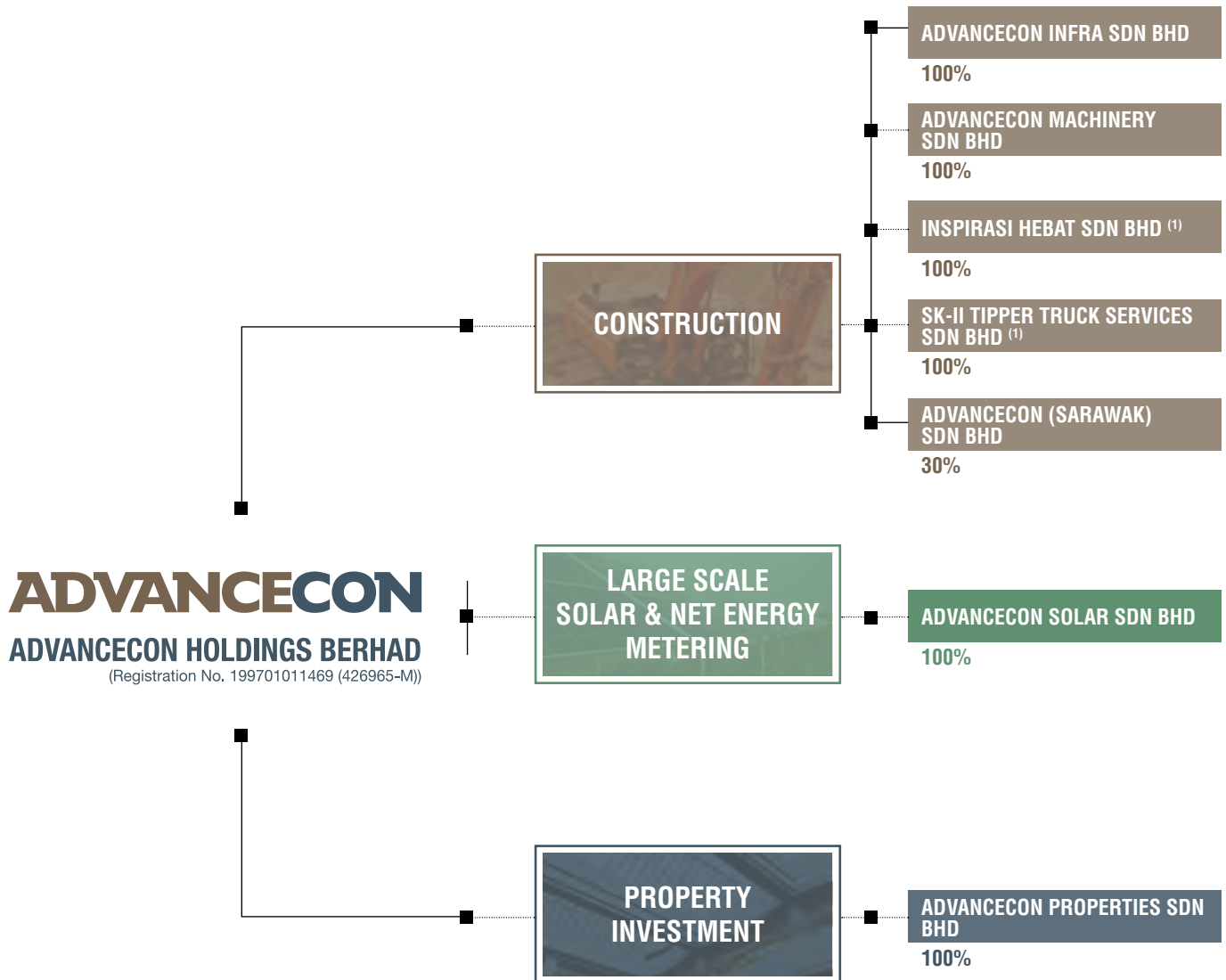
LISTING DATE

10 July 2017

REGISTRATION NO.

199701011469 (426965-M)

CORPORATE STRUCTURE



Notes:-

⁽¹⁾ In the process of Member's Voluntary Winding Up.

BOARD OF DIRECTORS



**MOHD ZAKY BIN
OTHMAN**

Independent Non-Executive Director

YEOH CHONG KEAT

Independent Non-Executive Chairman

**FATHI RIDZUAN BIN
AHMAD FAUZI**

Independent Non-Executive Director

BOARD OF
DIRECTORS (CONT'D)**TUNG KAI HUNG**

Executive Director

LIM SWEE CHAIExecutive Director and
Deputy Group Chief
Executive Officer**DATO' PHUM ANG KIA**Executive Director and
Group Chief Executive
Officer**IR. YEO AN THAI**Executive Director and
Group Chief Operating
Officer

DIRECTORS' PROFILE

YEOH CHONG KEAT

Independent Non-Executive Chairman

 Malaysian	 Male	 63 years old
---	--	--

Date of Appointment: 01 August 2016

Academic / Professional Qualifications:

- Foundation Course in Accountancy from City of Birmingham Polytechnic, United Kingdom (1978)
- Fellow of the Institute of Chartered Accountants in England and Wales
- Chartered Accountant of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Fellow of the Chartered Tax Institute of Malaysia

Working Experience:

Mr Yeoh began his career in 1978 with a training contract with Deloitte Haskins & Sells (now known as PricewaterhouseCoopers), United Kingdom. After qualifying as a Chartered Accountant in 1982, he left PricewaterhouseCoopers and joined Messrs Deloitte KassimChan ("Deloitte"), Kuala Lumpur as Audit Supervisor and subsequently transferred to the Tax Division of Deloitte and became a Tax Manager. During his tenure with these two audit firms, he was involved in the areas of audit, tax, management and consulting services.

In 1988, Mr Yeoh joined PFA Corporate Services Sdn Bhd ("PFA") as its Executive Director, providing corporate secretarial and advisory services to multinationals, public listed companies and private limited companies of all sizes.

Mr Yeoh left PFA in 2000 and founded Archer Corporate Services Sdn Bhd, a company providing corporate secretarial and advisory services to public listed and private entities and he is now the President cum Chief Executive Officer of that professional firm.

Directorships of other Public Listed Companies:

- Lien Hoe Corporation Berhad
- AbleGroup Berhad

Declaration:

- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



DIRECTORS'
PROFILE (CONT'D)**DATO' PHUM ANG KIA**

Executive Director and Group Chief Executive Officer

 Malaysian	 Male	 63 years old
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Date of Appointment: 09 April 1997**Academic / Professional Qualifications / Working Experience:**

As the co-founder and Group CEO, he is responsible for our Group's overall business development which includes setting our Group's direction, formulating corporate development plan and driving our business growth. In addition, he is also involved in overseeing the daily on-site operations and contracts as well as operations related matters.

Dato' Phum started his family business in Soon Kim Trading & Engineering which was subsequently incorporated as a private limited company in 1990 under the name of Pembinaan Sin Soon Kim Sdn Bhd. Subsequently, it changed name to Advancecon Infra Sdn Bhd in 2010. During the early stage, the Company was mainly involved in civil engineering services, construction of main drains, road works, sewerage systems and hiring services of heavy machinery and equipment.

Together with Mr Lim Swee Chai, they incorporated Advancecon Sdn Bhd in 1993 to expand the construction business after which, Advancecon Group was established in 2010 pursuant to an internal reorganisation exercise undertaken. With Dato' Phum's wealth of experience in the construction industry of more than forty years, he was the driving force in raising the Company's profile from a small contractor to now a Main Market public listed company.

Directorships of other Public Listed Companies:

NIL

Declaration:

- He is a major shareholder of the Company
- His brother, Mr Pham Soon Kok is a substantial shareholder of the Company
- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



DIRECTORS' PROFILE (CONT'D)

LIM SWEE CHAI

Executive Director and Deputy Group Chief Executive Officer

 Malaysian	 Male	 65 years old
---	--	--

Date of Appointment: 09 April 1997

Academic / Professional Qualifications:

- Diploma in Technology (Building) from Tunku Abdul Rahman College (1981)

Working Experience:

Having more than thirty nine years of working experience in the construction industry, he is responsible for the Group's overall strategic management and strategic corporate planning. He is also involved in overseeing contracts and operations related matters.

He joined Teguh Kaya Sdn Bhd ("TKSB"), a construction company as Contracts Manager from 1985 until 1993 where he was responsible for the overall contract management functions for several housing development projects in Klang Valley.

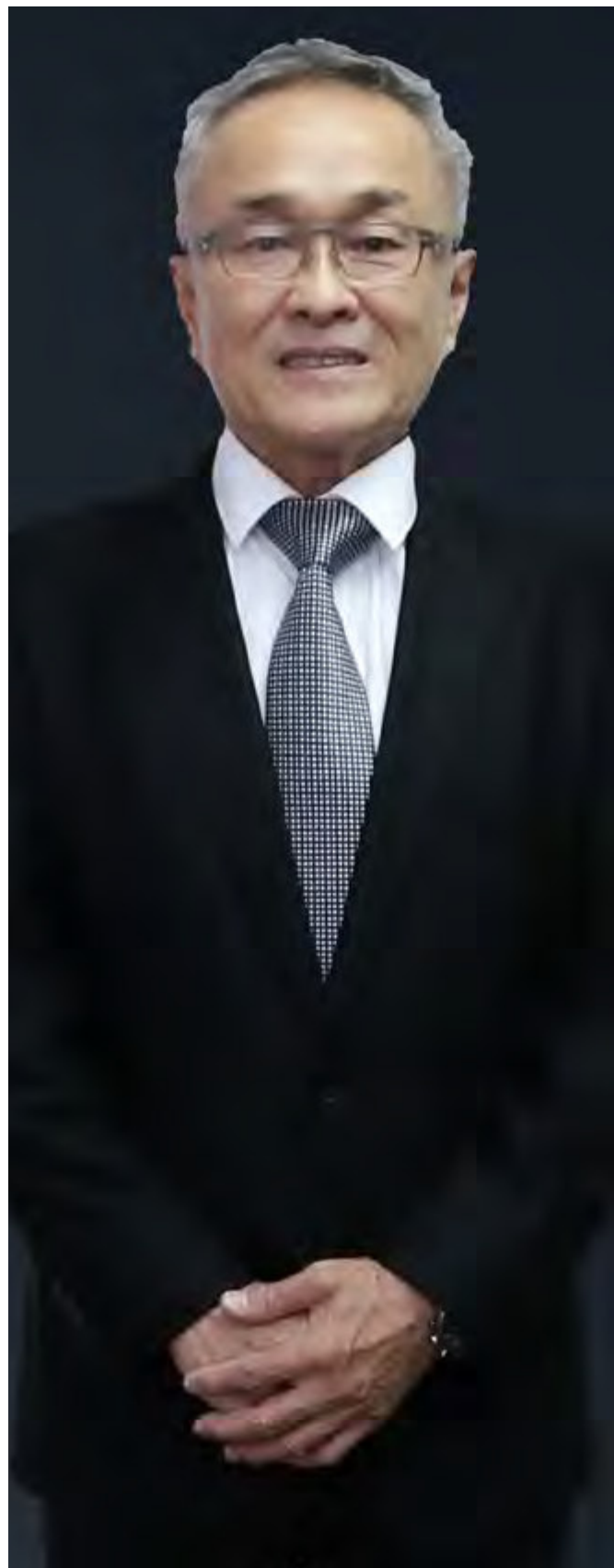
Mr Lim left TKS in 1993 and co-founded Advancecon Sdn Bhd with Dato' Phum where he was mainly responsible for the overall contract management functions and managing office operations for the construction projects undertaken. Advancecon Group was then established in 2010 pursuant to an internal reorganisation exercise undertaken and he was the driving force for the Initial Public Offering of Advancecon Holdings Berhad.

Directorships of other Public Listed Companies:

NIL

Declaration:

- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



DIRECTORS'
PROFILE (CONT'D)**IR. YEO AN THAI**

Executive Director and Group Chief Operating Officer

 Malaysian	 Male	 49 years old
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Date of Appointment: 01 August 2016**Academic / Professional Qualifications:**

- Bachelor of Engineering with Honours Degree in Civil and Structural Engineering from Universiti Kebangsaan Malaysia (1997)
- Master of Engineering Management from Universiti Putra Malaysia (2015)
- A registered Project Management Professional with the Project Management Institute, United States (since 2009)
- A member of the Institution of Engineers, Malaysia and a registered Professional Engineer with the Board of Engineers, Malaysia (since 2013)
- Green Building Index Facilitator with Green Building Index, Malaysia (since 2014)

Working Experience:

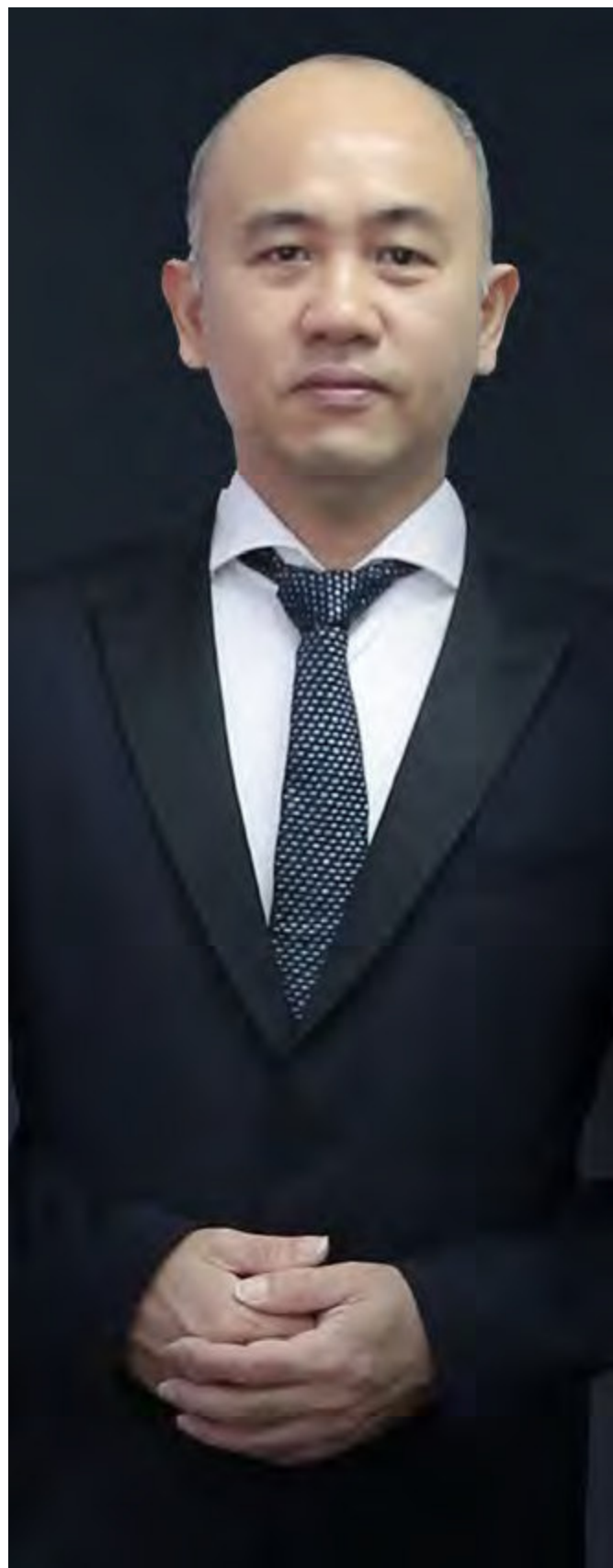
Ir. Yeo began his career as a Site Engineer in Gamuda Berhad in 1997 and was promoted to be the Section Head before he left Gamuda Berhad. He then joined Advancecon Sdn Bhd as a Site Manager in 2001 where he was responsible for day-to-day on site operations of all the construction projects. In 2010, Advancecon Group was established pursuant to an internal reorganisation exercise undertaken whereby he assumed the role as General Manager of Project Management before he was promoted to Chief Operating Officer in 2015. He has more than twenty years of working experience in the construction industry and has been instrumental in the Initial Public Offering of Advancecon Holdings Berhad.

Directorships of other Public Listed Companies:

NIL

Declaration:

- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



DIRECTORS' PROFILE (CONT'D)

TUNG KAI HUNG

Executive Director

 Malaysian	 Male	 58 years old
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Date of Appointment: 01 August 2016

Academic / Professional Qualifications:

- Diploma in Technology (Building) from Tunku Abdul Rahman College, Malaysia (1986)

Working Experience:

In 1999, Mr Tung joined Advancecon Sdn Bhd as Senior Contracts Executive where he was responsible for the overall contract management functions including overseeing the operations of submission of tenders and cost estimates preparation. His roles include selection of our subcontractors and suppliers for all our construction projects.

In 2010, Advancecon Group was established pursuant to an internal reorganisation exercise undertaken whereby Mr Tung assumed the role of General Manager of Contracts since then. He is now the Operations Director of Advancecon Infra Sdn Bhd.

He has more than thirty years of working experience in the construction industry and has been instrumental in the Initial Public Offering of Advancecon Holdings Berhad.

Directorships of other Public Listed Companies:

NIL

Declaration:

- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



DIRECTORS'
PROFILE (CONT'D)**MOHD ZAKY BIN OTHMAN**

Independent Non-Executive Director

 Malaysian	 Male	 64 years old
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Date of Appointment: 01 August 2016**Academic / Professional Qualifications:**

- Bachelor of Science Degree in Business Administration (Finance) from California State University Fresno, United States (1984)
- Master of Science in Finance (Corporate Finance) from Golden Gate University, San Francisco, United States (1992)

Working Experience:

En. Mohd Zaky began his career as an Accounts Executive in 1985 and was working overseas for ten years. In 1995, he returned to Malaysia and joined Keretapi Tanah Melayu Berhad ("KTMB") where he spent approximately eighteen years before his retirement in 2013. During his tenure with KTMB, he served in various positions within KTMB group of companies.

En. Mohd Zaky gained experience in his respective field through working for more than thirty years in different companies in several countries.

Directorships of other Public Listed Companies:

NIL

Declaration:

- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



DIRECTORS' PROFILE (CONT'D)

FATHI RIDZUAN BIN AHMAD FAUZI

Independent Non-Executive Director

 Malaysian	 Male	 56 years old
---	--	--

Date of Appointment: 01 August 2016

Academic / Professional Qualifications:

- Bachelor of Science Degree in Accounting and Financial Analysis from University of Warwick, Coventry, United Kingdom (1989)

Working Experience:

En. Fathi Ridzuan began his career in 1989 where he worked in various accounting and finance capacities. He has accumulated vast experience in financial, administrative, legal, information technology, risk management, stockbroking operations, business process outsourcing and trusted identification. Apart from being an independent consultant for Esperanza Management Advisors, presently, he is the Group Chief Executive Officer of Pradotec Global Sdn Bhd.

Directorships of other Public Listed Companies:

- N2N Connect Berhad

Declaration:

- Does not have any family relationship with any Directors and/or major shareholders
- No conflict of interest with Advancecon Holdings Berhad
- No conviction for offences within the past five years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year



KEY SENIOR MANAGEMENT

PUAH KIAN YEW

Division General Manager - Earthworks

 Malaysian	 Male	 45 years old
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Puah Kian Yew, is our Division General Manager – Earthworks. He is responsible for the planning, coordination and the operations of all the heavy machinery and equipment of our Group. He has more than eighteen years of working experience in various operational management in the construction industry. He graduated with a Bachelor of Science Degree in Building Construction Management from Sheffield Hallam University, United Kingdom in 2000.

He began his career as Supervisor with Gabungan Cekapbina Sdn Bhd in 2000 where he was responsible for supervising on-site construction activities. In 2006, he left Gabungan Cekapbina Sdn Bhd and joined Advancecon Sdn Bhd as Assistant Project Manager where he was responsible for assisting the execution of project management of construction projects.

In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of Project Manager and was subsequently promoted to Senior Manager of Production and Operation in 2012 before he was promoted to General Manager of Production and Operation in 2015.

Presently, he does not hold any directorship in any public listed companies. He does not have any family relationship with any Directors and/or major shareholders of the Company. He has no conflict of interest with the Company and has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2020.

LIM KOK TIONG

Division General Manager – Infrastructure and Highway

 Malaysian	 Male	 48 years old
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Lim Kok Tiong, is our Division General Manager – Infrastructure and Highway. He is responsible for overseeing the execution of construction projects undertaken by our Group, which include project planning and project scheduling. He has more than twenty years of working experience in project management within the construction industry.

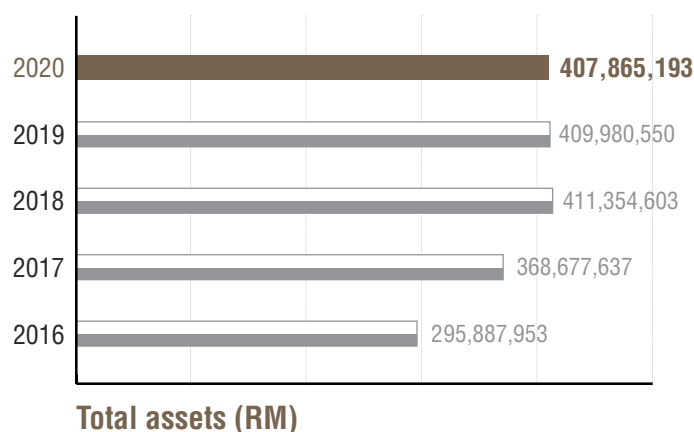
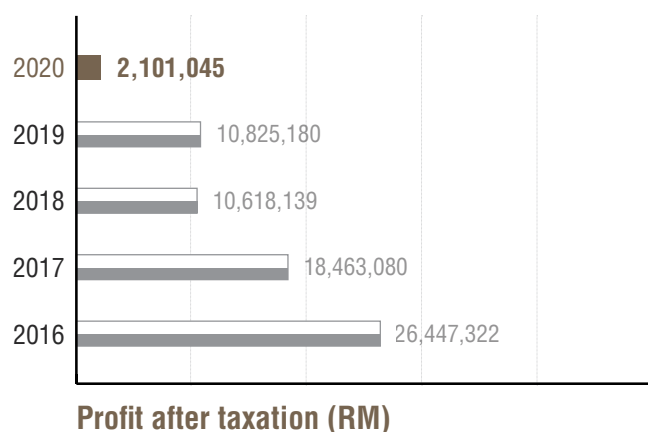
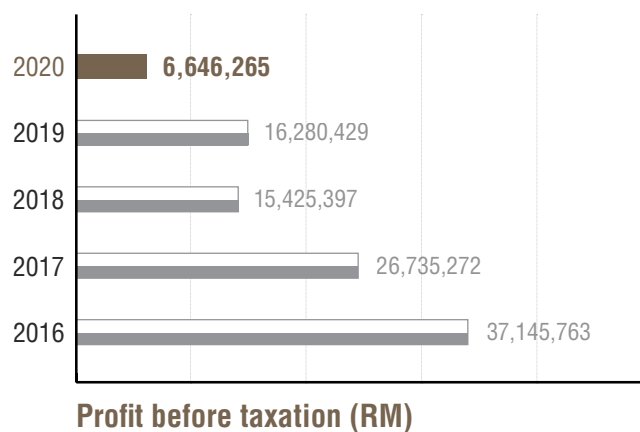
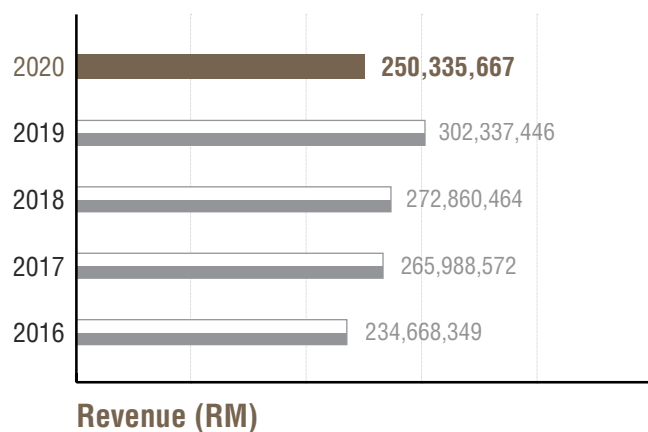
He graduated with a Bachelor of Engineering with first class Honours Degree in Civil and Structural Engineering from Universiti Kebangsaan Malaysia in 1998 and subsequently obtained a Master of Business Administration from University of Lincoln, United Kingdom in 2002.

He began his career as Engineer where he was involved in the design of building structure, responsible for the overall execution and management of steel works projects. Subsequently, he assumed the role of as a director and was responsible for project management and project planning in Gabungan Cekapbina Sdn Bhd until 2006. Thereafter, he joined Advancecon Sdn Bhd in 2006 as Project Manager, mainly responsible for managing and monitoring of project execution and subsequently promoted to Senior Project Manager in 2007. In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of Senior Project Manager before he was promoted to General Manager of Project Management in 2015.

Lim Kok Tiong is the nephew of Lim Swee Chai. Other than that, he does not have any family relationship with any other Directors. Presently, he does not hold any directorship in any public listed companies. He has no conflict of interest with the Company and has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2020.

FINANCIAL HIGHLIGHTS

Financial year ended 31 December	2020 RM	2019 RM	2018 RM	2017 RM	2016 RM
Profitability					
Revenue	250,335,667	302,337,446	272,860,464	265,988,572	234,668,349
Profit before taxation	6,646,265	16,280,429	15,425,397	26,735,272	37,145,763
Profit after taxation	2,101,045	10,825,180	10,618,139	18,463,080	26,447,322
Key Balance Sheet Data					
Total assets	407,865,193	409,980,550	411,354,603	368,677,637	295,887,953
Total equity	187,560,712	191,925,420	181,986,190	174,607,890	105,620,629
Total borrowings	133,151,034	128,506,997	134,422,414	108,203,821	85,350,963
Issued share capital	405,075,000	403,928,000	402,079,000	402,079,000	312,079,000
Share information					
Earnings per share (sen)	0.53	2.69	2.64	5.18	8.47
Net assets per share attributable to owners of the Company	0.46	0.48	0.45	0.43	0.34
Gearing ratio (times)	0.71	0.67	0.75	0.62	0.81
Return on equity (%)	1%	6%	6%	11%	25%



MANAGEMENT DISCUSSION & ANALYSIS

Dear shareholders,

Malaysia started 2020 on rocky ground, as the unexpected change in the country's ruling coalition in February 2020 created an unstable political environment that led to uncertainty on the status and implementation of key infrastructure projects.

This dire situation was exacerbated by the COVID-19 outbreak, which prompted an immediate response from the Government to contain the spread of the pandemic. The Movement Control Order ("MCO") imposed from March to May 2020 resulted in a complete halt in most economic activities, with the exception of essential sectors including healthcare, food and utilities.

As COVID-19 cases decreased towards the end of May 2020, the Government implemented the Conditional MCO in May 2020 and Recovery MCO in June 2020, which eased restrictions and allowed economic activities to recommence. Specifically, the construction sector could start on-site works on the condition that companies adhered to standard operating procedures ("SOPs") including ensuring all workers underwent mandatory COVID-19 screening and practised adequate social distancing.

All these factors culminated in Malaysia's Gross Domestic Product ("GDP") shrinking by 5.6% in the year 2020 compared to a 4.3% growth in 2019. The construction industry contracted 19.4% in 2020 compared to a 0.1% growth achieved in 2019 due to the complete operational halt during the first MCO and the challenge of restarting the supply chain.

In spite of the difficult outlook, Advancecon Holdings Berhad and its subsidiaries ("Advancecon" or "Group") maintained profitability on a full-year basis, continued making headway with ongoing projects, and even obtained several new contracts. This speaks volumes of our strong ethos in project delivery and decades of earthworks experience.

On that note, we present to you the financial statements and Annual Report for the financial year ended 31 December 2020 ("FY2020").



BUSINESS OVERVIEW

Across almost three decades, Advancecon has established a proven track record as a specialist provider of earthworks and civil engineering services primarily for infrastructure projects and township developments in Malaysia.

The Group's diverse range of capabilities within earthworks services include excavation and fill, rock-blasting works, erosion and sediment control plan, soil investigation as well as compaction and surface finishing process. Moreover, Advancecon is also highly experienced in providing several types of civil engineering services such as road works, drainage works, bridge construction, water supply works, and sewerage works.

Today, Advancecon has established a good reputation in providing earthworks and civil engineering services for various major infrastructure projects, having completed works for major highways such as the Trumpet Interchange and Ecohill Link connected to Lebuhraya Kajang Seremban ("LEKAS") Highway, as well as South Klang Valley Expressway (E26:SKVE). Ongoing infrastructure projects include West Coast Expressway ("WCE"), East Coast Rail Link ("ECRL"), Pan Borneo Highway (Sarawak), and new roads in Sarawak under the Upper Rajang Development Agency ("URDA").

The Group also has amassed extensive credentials in undertaking earthworks and civil engineering works for township projects undertaken by well-known developers. This includes completed projects for townships including Eco Majestic, Bandar Setia Alam, Setia EcoHill, Setia Eco Gardens and Tropicana Aman, while the Group is currently undertaking works for Serenia City, Setia Alamsari and Bandar Bukit Raja 2, as well as SME Business Park in Nilai Impian 2.

Furthermore, Advancecon is also involved in the renewable energy field through its wholly-owned subsidiary, Advancecon Solar Sdn Bhd ("Advancecon Solar"), which will invest in, develop and operate solar and other renewable energy projects including the fourth cycle of the large-scale solar programme ("LSS4"). The renewable energy segment provides us with an opportunity to diversify our revenue base and secure a stream of recurring income that complements our core earthworks and civil engineering business.

¹ Department of Statistics Malaysia, Malaysia Economic Performance Fourth Quarter 2020

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)



IN OUR LARGEST INFRASTRUCTURE UNDERTAKING OF WCE, WE COMPLETED 44.5% OF THE SECTION 7A PACKAGE IN WHICH THE SITE HAD BEEN FULLY HANDED OVER BY THE CLIENT, AND TARGET FOR THE PROJECT'S COMPLETION IN FEBRUARY 2022.



ADVANCECON OBTAINED A RM19.9 MILLION CONTRACT FROM SIME DARBY PROPERTY (BUKIT RAJA) SDN BHD TO UNDERTAKE EARTHWORKS AND OTHER RELATED WORKS FOR STAGES R1A1, R1A2 AND R1B AT PHASE 2 OF THE BANDAR BUKIT RAJA 2 DEVELOPMENT.



THE MOST SIGNIFICANT BREAKTHROUGH FOR THE GROUP IN FY2020 WAS WINNING THREE CONTRACTS WORTH RM110.6 MILLION CUMULATIVELY FROM CHINA COMMUNICATIONS CONSTRUCTION (ECRL) SDN BHD TO CARRY OUT WORKS FOR THE ECRL.

OPERATIONS REVIEW

Against the backdrop of the sluggish economy influenced in part by the COVID-19 pandemic, Advancecon resiliently navigated the challenging environment to not only progress with existing projects, but also secure new contracts.

- **Made steady progress in ongoing projects**

In FY2020, the Group still managed to make commendable progress in ongoing key projects despite being impacted by the complete halt in operations from March to May 2020.

In our largest infrastructure undertaking of WCE, we completed 44.5% of the Section 7A package in which the site had been fully handed over by the client, and target for the project's completion in February 2022. For WCE Section 1, about 81.2% of the 86.0% land handed over is workable, where we completed 54.8% of works as at 31 December 2020. We applied extension of time ("EOT") for Section 1 up to March 2023 to cater to unexpected disruptions in land handover from client's end.

Additionally, the Group obtained further EOTs for ongoing projects. We successfully applied for EOT for works within Serenia City in Sepang, Selangor to make up for delays caused by the MCO, and are applying for further EOT for both Pan Borneo Highway contracts up to a future date due to obstruction of existing utilities and authority issue.

- **Secured new property development contract from repeat customer**

On 14 July 2020, Advancecon obtained a RM19.9 million contract from Sime Darby Property (Bukit Raja) Sdn Bhd to undertake earthworks and other related works for stages R1A1, R1A2 and R1B at Phase 2 of the Bandar Bukit Raja 2 development.

Not only is this contract win from a repeat customer, but also Advancecon's fourth contract within Sime Darby's Bandar Bukit Raja township in Klang, Selangor. As we also have an ongoing project at stage R2, the close proximity enables us to optimise resource planning and enhance operational efficiency.

- **Obtained ECRL breakthrough with first three contracts**

By far, the most significant breakthrough for the Group in FY2020 was winning three contracts worth RM110.6 million cumulatively from China Communications Construction (ECRL) Sdn Bhd to carry out works for the ECRL.

The first two ECRL contracts of RM53.7 million and RM27.1 million respectively were secured on 2 September 2020. Both contracts involved the undertaking of subgrade and related works for Section 6 of the ECRL, with targeted completion in September and December 2022 respectively.

Subsequently, the Group secured a third ECRL contract worth RM29.8 million on 17 September 2020 for the construction and completion of subgrade and related works for Section 4 of the ECRL, to be completed in May 2022.

Altogether, Advancecon bagged new contracts totalling RM130.5 million in FY2020, which enhanced our earthworks and civil engineering services orderbook to RM710.0 million.

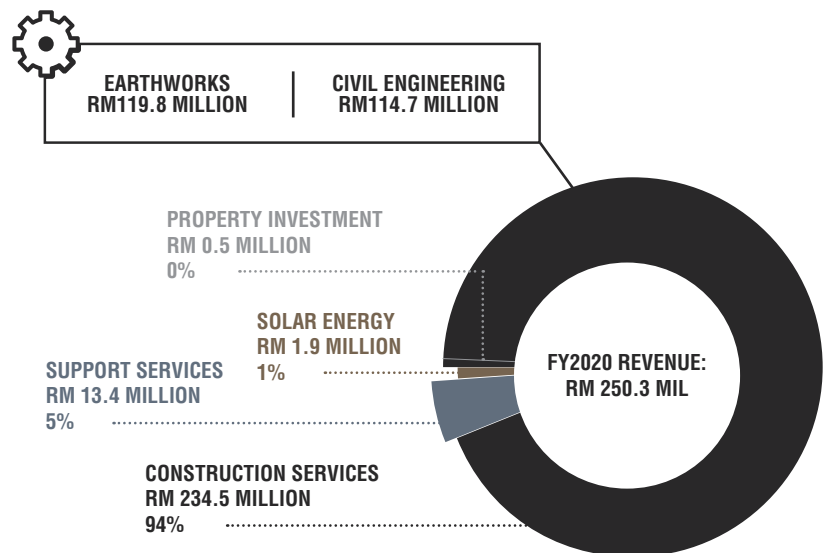
MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

FINANCIAL OVERVIEW

With the standstill in construction progress from March to May 2020, Group's revenue moderated 17.2% to RM250.3 million from RM302.3 million a year ago on overall lower progress billings.

Segmentally, the construction services segment contributed 93.7% of Advancecon's total FY2020 revenue.

Within construction services, earthworks revenue reduced 24.7% to RM119.8 million from RM159.2 million in the previous financial year. Civil engineering services was more resilient, with revenue of RM114.7 million dipping only 2.2% from RM117.3 million a year ago.



The Group's support services segment, which complements both earthworks and civil engineering services, noted a 46.8% decrease in revenue contributions to RM13.4 million from RM25.2 million. The property investment segment remained stable with contributions of RM0.5 million in FY2020 compared to RM0.6 million previously.

On a brighter note, the Group's newly-established solar energy division delivered its maiden topline contributions of RM1.9 million in FY2020.

Subsequent to the lower revenue, Advancecon recorded 38.8% lower gross profit of RM27.9 million compared to RM45.6 million in the preceding financial year. Profit before taxation declined 59.5% to RM6.6 million from RM16.3 million previously.

Nonetheless, the normalised operations in the second half of FY2020 led to Advancecon remaining profitable in FY2020 with a net profit after taxation of RM2.1 million versus RM10.8 million previously.

The Group maintained a solid balance sheet as shown below, with steady total equity and a largely maintained net gearing level.

Financial Ratio	As at 31 December 2020	As at 31 December 2019
Current Ratio	1.52 times	1.48 times
Gross Gearing	0.71 times	0.67 times
Net Gearing	0.69 times	0.61 times
Total Equity	RM187.56 million	RM191.93 million
Net Asset Per Share	RM0.46	RM0.48

At this juncture, it is noteworthy that the Group remained steadfast in conveying our appreciation to all shareholders for the continuous support during the tough year. Thus, Advancecon's Board of Directors declared a first interim dividend of 1.0 sen per share, with dividend payout of approximately RM4.0 million distributed to shareholders on 30 December 2020.

The dividend payout constituted 188% of the Group's net profit in FY2020, and vastly surpassed the Group's minimum dividend policy of 20%.

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

MARKET OUTLOOK AND GROWTH STRATEGIES

Even though the Government implemented the second MCO from January to March 2021, several essential sectors including construction were permitted to operate normally as long as SOPs were strictly adhered to. Thus, the construction sector looks set to play a role in spurring economic growth in 2021, boosted by the implementation and accelerated progress of major infrastructure and affordable housing projects as outlined in Budget 2021.

Going into 2021, Bank Negara Malaysia projected for the Malaysian economy to achieve healthier growth of between 6.0% to 7.5%, supported by a pick-up in global demand and normalisation in domestic economic activities.

Advancecon's strong track record within both infrastructure and property development sectors should ensure that our growth opportunities remain in clear sight.

Going forward, Advancecon aims to expand further through the following avenues:

- **Capturing more opportunities within Malaysia's infrastructure space**

The Budget 2021 which was passed in December 2020 clearly outlined the Government's continued commitment towards enhancing the nation's infrastructure, with key projects such as Pan Borneo Highway, Mass Rapid Transit 3 and others set to be implemented.

With 85% of Advancecon's RM1.5 billion tenderbook comprising infrastructure projects across the country, we are optimistic of capturing further new opportunities.

In fact, the Group continued the contract win momentum in January and March 2021 by securing our fourth and fifth ECRL contracts from China Communications Construction (ECRL) Sdn Bhd worth RM60.6 million and RM14.6 million respectively. The fourth contract for a duration of twenty five months entails the undertaking of subgrade works for Section 4 of the ECRL, while the fifth contract encompasses the construction and completion of ground treatment works on Section 4 over a period of six months.

- **Further strengthening presence in East Malaysia**

The Group set up Advancecon (Sarawak) Sdn Bhd in 2018 to target opportunities in East Malaysia and support the urban development plans of the State and Federal Governments. As at 31 December 2020, the Group is carrying out works for major infrastructure projects including Pan Borneo Highway (Sarawak) and roadworks in Sarawak under URDA.

In March 2021, Advancecon took a giant leap in reinforcing our Sarawak presence as our associate Advancecon (Sarawak) Sdn Bhd attained the Group's single-largest earthworks contract of RM153.5 million from Wenan Steel (Malaysia) Sdn Bhd. The contract entails the undertaking of earthworks for an iron and steel production complex in Samalaju Industrial Park, Bintulu, Sarawak over a duration of twelve months.

With this, our orderbook expanded to RM878.1 million as at end-March 2021, with Sarawak projects constituting more than one-third of outstanding works.

We are also mindful of prospective opportunities in Sabah, in light of potential Pan Borneo Highway packages allowing us to leverage on our undertakings in Pan Borneo Highway Sarawak.

- **Ensuring new solar installations progress smoothly**

Our new solar energy segment has the potential to provide a consistent stream of income and complements our existing core business through diversification of earnings.

Until January 2021, Advancecon Solar signed Power Purchase Agreements with Oon Corp Resources (M) Sdn Bhd, Prominent Image Sdn Bhd and Jemco Sdn Bhd to generate a total capacity of 1,239.04 kilowatt peak under the Net Energy Metering scheme.

In March 2021, Advancecon Solar was also shortlisted by the Energy Commission as one of the successful bidders to commission 26 megawatts worth of power generation for the LSS4.

The recurring income from the solar segment would be complementary to our construction services and help us maintain a healthy cashflow.

- **Looking out for strategic mergers and acquisitions ("M&A") opportunities**

We also remain open towards undertaking M&As which can help us achieve the next stage of growth. We will potentially target companies which provide synergy to our existing businesses and complement our operations successfully.

² Bank Negara Malaysia, Economic and Financial Developments in Malaysia in the 4th Quarter of 2020

³ Randstad, Market Outlook: Malaysia's construction industry will rebound in 2021

MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)



APPRECIATION

On behalf of the Board and management team, I would like to thank all our shareholders, customers, business associates, bankers, consultants as well as our employees for their continued trust and unending support to the Group throughout the challenging FY2020.

My gratitude also goes to our management team and employees for their tireless efforts, continued dedication and invaluable contributions in ensuring that the Group remains in a good position to rebound strongly and achieve further growth in the new financial year.

I would also like to express my appreciation to our Board of Directors for the valuable advice and continuous guidance throughout the year. The COVID-19 pandemic had created uncertainties which may have impacted us, but an obstacle does not determine the outcome of a journey. Going forward, we are optimistic that the collective strength of the Advancecon team will be a defining factor in catalysing further growth.

Sincerely,

DATO' PHUM ANG KIA

Group Chief Executive Officer

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PURSUANT TO THE DISCLOSURE REQUIREMENTS, THE BOARD OF DIRECTORS (“THE BOARD”) OF ADVANCECON HOLDINGS BERHAD (“ADVANCECON” OR “THE COMPANY”) IS PLEASED TO PRESENT THE CORPORATE GOVERNANCE (“CG”) OVERVIEW STATEMENT (“STATEMENT”) WHICH PROVIDES KEY HIGHLIGHTS ON HOW THE COMPANY COMPLIES WITH THE PRINCIPLES AND PRACTICES OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (“MCCG”) DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (“FY2020”). THIS STATEMENT IS COMPLEMENTED BY A CG REPORT BASED ON A PRESCRIBED FORMAT PURSUANT TO PARAGRAPH 15.25 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“MMLR”). THE CG REPORT IS AVAILABLE ON THE COMPANY’S WEBSITE WWW.ADVANCECON.COM.MY UNDER THE INVESTOR RELATIONS SECTION. THIS STATEMENT SHOULD ALSO BE READ IN CONJUNCTION WITH THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (“SORMIC”) AND THE RESPECTIVE BOARD COMMITTEE REPORTS IN THE ENSUING PAGES.

The Board constantly strives to ensure that good corporate practices are carried out throughout the Company and its subsidiaries (“the Group”) as fundamental to fulfilling its responsibilities, which include protecting and enhancing shareholders’ value as well as the financial performance of the Group.

The Board oversees the overall strategic and operational business performance and is supported by various Board Committees in discharging other specific functions.

The Board will endeavour to improve and enhance the corporate governance practices from time to time. Details of how the Company has applied the CG Code principles and complied with its practices, are set out in the CG Report. The explanation for departure is further disclosed in the CG Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. BOARD RESPONSIBILITIES

a. Roles and Responsibilities

The Board is primarily responsible for the Group’s overall strategic plans for business performance, overseeing the proper conduct of business, succession planning of key management, risk management, shareholders’ communication, internal control, and statutory matters; whilst the Management is accountable for the execution of the adopted policies and attainment of the Group’s corporate objectives. The demarcation complements and reinforces the supervisory role of the Board. Nevertheless, the Board is always guided by the Board Charter (“Charter”) which outlines the duties and responsibilities and matters reserved for the Board in discharging its duties. The Charter also acts as a source of reference and primary induction literature in providing insights to Board members and Senior Management.

The Chairman is responsible for the leadership of the Board in ensuring the effectiveness of all aspects of its role, and is primarily responsible for leading the Board in setting the values and standards of the Company, the orderly and effective conduct of the meetings of the Board and shareholders, ensuring the provision of accurate, timely and clear information to Directors as well as facilitating the effective contribution of Non-Executive Directors.

The positions of Chairman and Group Chief Executive Officer (“Group CEO”) are held by different individuals with clear and distinct roles. Mr Yeoh Chong Keat is the Chairman while, Dato’ Phum Ang Kia is the Group CEO. The distinct and separate roles of the Chairman and Group CEO with clear division of responsibilities have ensured the balance of power and authority, such that no one individual has unfettered powers of decision making.

The Independent Non-Executive Directors (“INED”) do not engage in the day-to-day management of the Group. They are not involved in any other relationship with the Group that could reasonably be perceived to materially interfere with their exercise of unfettered and independent judgement. This is to enable the INED to discharge their duties and responsibilities effectively and to avoid any conflict of interest situations. The INED also provide independent and objective views, assessment and suggestions in deliberations of the Board and ensure effective check and balance in the functioning of the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

b. Board Committees

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has delegated specific responsibilities to the following Board Committees:

- (i) Audit Committee ("AC")
- (ii) Remuneration Committee ("RC")
- (iii) Nomination Committee ("NC")
- (iv) Risk Management and Sustainability Committee ("RMSC")
- (v) Employees' Shares Options Scheme ("ESOS") Committee

Except for ESOS Committee which is governed by its By-Laws, each committee operates within clearly defined Terms of Reference ("TOR"). These Board Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective Board Committees will report to the Board the outcome of their Committee's meetings for the Board's considerations and approvals. The Board retains full responsibility for the direction and control of the Company and the Group.

c. Support Services

The Board is supported by the Company Secretaries, who are qualified under the Companies Act 2016 ("the Act"). The Company Secretaries play an important role in facilitating the overall compliance with the Act, MMLR and other relevant laws and regulations. The Company Secretaries also assist the Board and Board Committees to function effectively and in accordance with their TOR and best practices in ensuring adherence to the existing Board policies and procedures. The roles and responsibilities of the Company Secretaries have been formalised in the Charter which provides reference for Company Secretaries in the discharge of their roles and responsibilities.

The Company Secretaries have also been continuously attending the necessary training programmes, conferences, seminars and/or forums so as to keep themselves abreast with the current regulatory changes in laws and regulatory requirements that are relevant to their profession and enabling them to provide the necessary advisory role to the Board.

The Board also have access to the advice of both external and internal auditors of the Company and any other independent professional advisers.

d. Charter

The Board's functions are governed and regulated by the Charter, Constitution of the Company and MMLR and other regulations and codes. The Charter can be found on the Company's website at www.advancecon.com.my. The Charter provides reference for Directors in relation to the Board's role, powers, duties and functions. The Charter also outlines processes and procedures for the Board to be effective and efficient.

e. Code of Conduct and Ethics ("Code")

The Company's Code is to govern the standards of ethics and good conduct expected from Directors, Management and employees in discharging their duties and responsibilities and would help to prevent misconduct and unethical practices and consequently, this would support the delivery of long-term sustainable success of the Company. The Code is published on the Company's website, www.advancecon.com.my.

f. Whistleblowing Policy

The Group acknowledges the importance of lawful and ethical behaviours in all its business activities and is committed to adhering to the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs in its workplace. The Group has in place a Whistleblowing Policy which serves as an avenue for all employees of Advancecon and members of the public to disclose any improper conduct within Advancecon.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The policy is designed to facilitate employees and members of the public to disclose any improper conduct (misconduct or criminal offence) through internal channel. Such misconduct or criminal offences include fraud, bribery, abuse of power, conflict of interest, theft or embezzlement, misuse of Advancecon's Property, non-compliance with procedures and sexual harassment.

The above list is not exhaustive and includes any acts or omissions, which if proven, will constitute an act of misconduct under Advancecon's Code or any criminal offence under relevant legislations in force.

Employees have free access to the AC Chairman and may raise concerns of non-compliance to him. The Whistleblowing Policy, underlining its protection and reporting channels, is available on the Company's website at www.advancecon.com.my.

g. Anti-Bribery and Corruption Policy

In line with the Guideline on Adequate Procedures pursuant to Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Company has adopted an Anti-Bribery and Corruption Policy which was approved by the Board on 20 May 2020. The details of the Anti-Bribery and Corruption Policy Statement are available on the Company's website at www.advancecon.com.my.

2. BOARD COMPOSITION

The current Board composition is in compliance with the Constitution and exceeds the minimum one-third requirement of INED as set out in the MMLR. The Directors' profiles are enclosed from pages 8 to 16 of this Annual Report ("AR").

The INED on the Board act as a caretaker for the minority shareholders' interest and their views carry significant weight in the Board's decision-making process. The INED are considered by the Board to be independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement.

The Board regularly reviews the composition of the Board and Board Committees to ensure appropriate balance as well as relevant skills and experience.

a. Balance, Diversity and Skills

The Company's Board Diversity Policy recognises the benefit of gender diversity and the Company will look into appointing women to the Board in the future. The appointment of Directors is based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. Therefore, the Board believes that a truly diverse and inclusive Board will leverage the differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity and gender. This will ensure that Advancecon retains its competitive advantage.

During the FY2020, the Board consists of seven male members made up of one Independent Non-Executive Chairman, four Executive Directors and two INED. The existing Directors' age distribution falls within the respective age groups and is as follows:

Age Group	41-50	51-60	61 and above
Number of Directors	1	2	4

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

The current diversity in the race/ethnicity and nationality of the existing Board is as follows:

Number of Directors	Race/Ethnicity				Nationality	
	Malay	Chinese	Indian	Others	Malaysian	Foreign
	2	5	0	0	7	0

b. Re-election and Re-appointment of Directors

In compliance with the Company's Constitution, one-third of the Directors, who have been the longest in office since their last election shall retire by rotation at each Annual General Meeting ("AGM") and that a Director who is appointed during the year shall retire at the next AGM. The Constitution further provides that at least one-third of the Directors for the time being or the number nearest to one-third shall retire from office and that each Director shall retire from office once in every three years.

The Board, via NC, reviews the Directors who are subject to re-election or re-appointment at the AGM by giving due regard to his performance and the ability to continue to contribute to the Board in terms of knowledge, skills and experience required, and submits its recommendation to the shareholders for their approval.

c. Independence Assessment of Independent Directors

Independent Directors bring independence and objective judgement to the Board and this mitigates risks arising from conflicts of interest or undue influence from interested parties. Nevertheless, the existence of Independent Directors on the Board by itself does not assure the exercise of independence and objective judgement as independent judgement can be compromised by, amongst others, familiarity or close relationship with other board members or major shareholders.

The NC undertakes an assessment of the Independent Directors annually. In assessing the independence of Independent Directors, the NC had concluded that all the Independent Directors have met the independence requirements based on the criteria prescribed by Bursa Securities.

d. Tenure of Independent Directors

Under the MCGG, the tenure of an Independent Director should not exceed a cumulative term of nine years. Upon completion of the nine years, an Independent Director may continue to serve on the board subject to the Director's re-designation as a Non-Independent Director.

For the FY2020, none of the INED had served the Company exceeding a cumulative term limit of nine years.

e. Criteria for Recruitment and Annual Assessment of Directors

The NC is responsible for screening and conducting an initial selection, which includes an external search, before making a recommendation to the Board, taking into account the mix of skills, competencies, experience and other qualities required to discharge their duties and responsibilities. NC may obtain the services of professional recruitment firms to source for candidates for directorship or seek independent professional advice whenever necessary.

The Board is assisted by the NC to undertake an annual assessment on the effectiveness of the Board as a whole, its Committees, contribution of each individual Director and the Independent Directors in relation to their skills, experience and core competencies. The assessment is conducted through questionnaires circulated to the Board. Outcomes of the evaluations are generated based on the Directors' feedback on the questionnaires. Upon assessment, the NC will consider and recommend measures to improve the effectiveness of the Board and its Committees. All assessments and evaluations carried out by the NC in the discharge of its function are properly documented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

f. Board Meetings and Attendance

The Board meets at least four times a year and has a formal schedule of matters reserved for it. Additional meetings are held as and when necessary. During the FY2020, five meetings were held in which the Board deliberated upon and considered various issues including the Groups' financial results, performance of the Group's business, major investment, policies and strategic issues affecting the Group's business.

During the FY2020, five meetings of the Board were held and the details of the Board's attendance record at the Board meetings are as follows:

Director	Attendance in FY2020
Yeoh Chong Keat	5 / 5
Dato' Phum Ang Kia	5 / 5
Lim Swee Chai	5 / 5
Ir. Yeo An Thai	5 / 5
Tung Kai Hung	5 / 5
Mohd Zaky Bin Othman	5 / 5
Fathi Ridzuan Bin Ahmad Fauzi	5 / 5

The Directors have full and unrestricted access to all information pertaining to Advancecon Group's business and affairs to enable them to discharge their duties. At least seven days prior to each Board meeting, all Directors receive the agenda together with a comprehensive set of Board papers encompassing qualitative and quantitative information relevant to the business of the meeting. This allows the Directors to obtain further explanations or clarifications from the Management or the Company Secretaries well ahead of the meeting date, where necessary, in order to be well prepared before each meeting. Urgent papers may be presented for tabling at the Board meetings under supplemental agenda.

g. Directors' Training

The Board recognise the importance of attending and participating in conferences, seminars and training programme in order to broaden their perspectives and to keep abreast of developments in the marketplace, new statutory and regulatory requirements which would enable them to fulfil their responsibilities.

During the year under review, the Directors who have attended relevant conferences, seminars and training programmes are as follows:

Director	Training attended
Yeoh Chong Keat	- National Tax Conference 2020 - Seminar Percukaian Kebangsaan 2020 - Vistra 2030 South East Asia Webinar
Dato' Phum Ang Kia	Managing of Covid-19 pandemic SOP briefing
Lim Swee Chai	Managing of Covid-19 pandemic SOP briefing
Ir. Yeo An Thai	Managing of Covid-19 pandemic SOP briefing
Tung Kai Hung	Managing of Covid-19 pandemic SOP briefing
Mohd Zaky Bin Othman	Managing of Covid-19 pandemic SOP briefing
Fathi Ridzuan Bin Ahmad Fauzi	Managing of Covid-19 pandemic SOP briefing

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

3. REMUNERATION

a. Directors' Remuneration

The Board has in place a Remuneration Policy for Directors and Senior Management which is designed to support and drive business strategy and long-term objectives of Advancecon Group. In this regard, the RC is responsible to formulate and review the remuneration for Directors and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevalent market practices.

The remuneration package for Executive Directors are structured to link the rewards to financial performance and long-term objectives of the Group aside from individual performance. The remuneration package comprises of a number of separate elements such as basic salary, allowances, bonuses and other benefits-in-kind.

In the case of the INED, the level of remuneration shall be linked to their experience and the level of responsibilities undertaken. The remuneration package for INED shall be determined by the Board as a whole. The Director concerned shall abstain from deliberation and voting on decisions in respect of his individual remuneration package.

The remuneration paid and payable for FY2020 by the Company and the Group are as follows:

Director	Company				Subsidiaries			Total (RM)
	Directors' fees (RM)	Salaries (RM)	Other benefits (RM)	Defined contribution plan (RM)	Salary (RM)	Other benefits (RM)	Defined contribution (RM)	
Yeoh Chong Keat	94,400		4,000					98,400
Dato' Phum Ang Kia		1,058,400	33,447	64,728				1,156,575
Lim Swee Chai		860,400	24,124	52,286				936,810
Ir. Yeo An Thai		692,769	45,385	86,028				824,182
Tung Kai Hung					397,200	27,777	49,498	474,475
Mohd Zaky Bin Othman	67,500		4,000					71,500
Fathi Ridzuan Bin Ahmad Fauzi	67,500		4,000					71,500

b. Remuneration of Senior Management

Senior Management are those primarily responsible for managing the business operations and corporate divisions of the Group. The Board decided not to disclose on a named basis the top five Senior Management's remuneration in bands of RM50,000 in order to allay valid concerns of intrusion on staff confidentiality as well as maintaining the Company's ability to retain talented senior management in view of the competitive employment environment, in particular for the Group's nature of business.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

The AC of the Company comprises of three members, all of whom are INED:

- Mohd Zaky Bin Othman, Chairman (INED)
- Yeoh Chong Keat, Member (INED)
- Fathi Ridzuan Bin Ahmad Fauzi, Member (INED)

The members of the AC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the TOR of the AC. In addition, the AC members are financial literate and are able to understand, analyse and challenge matters under purview of the AC including the financial reporting process.

The Board is assisted by the AC to among others, oversee the Group's and Company's financial reporting process and the quality of financial reporting and ensure that the financial statements comply with the provisions of Malaysian Financial Reporting Standards and International Financial Reporting Standards in Malaysia.

Besides overseeing the Group's accounting and financial reporting process, AC is also responsible to assist the Board to review the nature, scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, to oversee and monitor the Group internal audit functions, review any related party transactions, and other activities such as governance matters. A full AC Report detailing its composition and a summary of activities during the FY2020 is set out in pages 42 to 44 of this AR.

The performance of the AC is reviewed annually by the NC. The evaluation covered aspects such as the members' financial literacy levels, its quality and composition, skills and competencies and the conduct and administration of the AC meetings.

Based on the evaluation, the NC concluded that the AC has been effective in its performance and has carried out its duties in accordance with its TOR during FY2020.

a. Assessment of Suitability, Objectivity and Independence of External Auditors

The AC had in April 2021 undertook an annual assessment of the suitability and independence of the external auditors, Messrs Crowe Malaysia PLT ('Crowe'). Being satisfied with Crowe's performance, technical competency and audit independence as well as fulfilment of criteria as set out in Paragraph 15.21 of the MMLR, the AC recommended the reappointment of Crowe, who have consented to act, as external auditors of the Company for FY2020. The AC was also satisfied that the provision of the non-audit services by Crowe for FY2020 did not in any way impair their objectivity and independence as external auditors of the Company. Subsequently, the Board at its meeting held on 20 April 2021 concurred with the AC on its recommendation for the shareholders' approval to be sought at the forthcoming AGM on the reappointment of Crowe as external auditors of the Company for FY2021.

b. Assessment of Internal Auditor

The Group has appointed Sterling Business Alignment Consulting Sdn Bhd ("Internal Auditor") to provide outsourced internal audit function for the Group. The Internal Auditor reports directly to the AC and the internal audit function is independent of the management. They provide reasonable assurance of the effectiveness of the system of internal controls of the Group.

The following are the activities undertaken by the Internal Auditor during the financial year under review:-

- Reviewed and approved the Internal Audit Plan for FY2020 proposed by the Internal Auditors to ensure the adequacy of the scope, coverage of works and that it has the necessary authority to carry out its works.
- Reviewed the Internal Audit Reports together with the recommendations from the Internal Auditors. The AC considered the Internal Auditors' recommendations which had taken into account the Management's responses, and upon which approved the Internal Auditors' proposals for rectification and implementation of the agreed remedial actions.
- Undertook assessment of the performance of the internal auditors and reviewed its effectiveness of the audit processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

2. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board acknowledges its responsibility for ensuring the maintenance of a sound system of internal controls and risk management. The Company has a risk management and internal control framework in place that provides the foundations and organisational arrangement on how to manage risks across the Group, safeguard shareholders' interests and the Group's assets.

The Board fulfills its responsibilities in the risk governance and oversight functions through its RMSC in order to manage the overall risk exposure of the Group. The RMSC identifies significant risks and ensures the implementation of appropriate system to manage the overall risk exposure of the Group, whilst the adequacy and effectiveness of the internal controls are reviewed by the AC in relation to internal audit function of the Group.

The SORMIC which provides an overview of the state of the internal control and risk management within Advancecon Group, is set out in pages 32 to 34 of this AR.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining transparency and accountability to their stakeholders. As such, the Board actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Company's website and engagement through the investor relations function. The Company has also established an investor relations function and engage external service providers to enable continuous communication between the Company and its stakeholders.

All corporate disclosures are made after taking into account the prevailing legislative restrictions and requirements as well as investors' need for timely release of price-sensitive information such as the financial performance results and significant corporate proposals.

In all circumstances, the Company is conscious of the timeliness in providing material information about the Group and continuously stress the importance of timely and equal dissemination of information to stakeholders.

2. CONDUCT OF GENERAL MEETINGS

Advancecon's AGM is an important means of communicating with its shareholders. The notice of AGM together with the annual report and details of the resolutions proposed are sent out to the shareholders at least twenty-eight days before the date of the AGM which is beyond the requirements of the Act, MMLR and in compliance with MCGG.

The Board takes note that the presence of all Directors will provide opportunity for shareholders to effectively engage with each Director. Besides, having the chair of the Board subcommittees present facilitates these conversations and allows shareholders to raise questions and concerns directly to those responsible. Barring unforeseen circumstances, all Directors as well as the Chairman of respective Board Committees will be present at the Twenty-Fourth AGM of the Company to enable the shareholders to raise questions and concerns directly to those responsible.

In the last AGM, all the resolutions set out in the Notice of the Twenty-Third AGM held on 30 July 2020 were put to vote by poll and were duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.

This CG statement is issued in accordance with a resolution of the Board dated 22 April 2021.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

PURSUANT TO PARAGRAPH 15.26(B) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“MMLR”), THE BOARD OF DIRECTORS (“THE BOARD”) IS PLEASED TO PRESENT THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL OF THE ADVANCECON HOLDINGS BERHAD (“ADVANCECON” OR “THE COMPANY”) AND ITS SUBSIDIARIES (“THE GROUP”) WHICH HAS BEEN PREPARED IN TANDEM WITH THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL: GUIDELINES FOR DIRECTORS OF LISTED ISSUERS (“THE GUIDELINES”) AS WELL AS IN COMPLIANCE WITH THE PRINCIPLES AND BEST PRACTICES RELATING TO RISK MANAGEMENT AND INTERNAL CONTROL AS STIPULATED IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (“MCCG”).

BOARD RESPONSIBILITY

The Board has always placed significant emphasis on sound risk management and internal control frameworks to good corporate governance and acknowledges its overall responsibility to ensure that the principal risks of Group are identified, evaluated and managed with an appropriate system of internal control, and to ensure the effectiveness, adequacy and integrity of the system are reviewed from time to time to suit the changes in the business environment. The risk management system is designed to manage the Group's risks within an acceptable risk profile, rather than to totally avoid or eliminate the risks that are inherent to the Group's businesses.

The Board recognises the importance of establishing a sound system of internal control. In view of the limitations that are inherent in any system of internal control, it can only provide reasonable but not absolute assurance against the occurrence of any material misstatement of financial information, loss or fraud. The Board regularly receives and reviews reports on internal control and is of the view that the system of internal control is adequate to safeguard shareholders' interests and the Group's assets.

The Audit Committee (“AC”) and Risk Management and Sustainability Committee (“RMSC”) have been delegated and empowered to implement the internal control practices and risk management within the Group. The role of the Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risk faced and to operate a suitable system of internal controls to manage these risks.

The Board does not review the risk management and internal control system of its associated company as the Group does not have management control over the associated company. Notwithstanding that, the Group's interests are served through representation on the Board of the associated company and provides the Board with information on the performance of the Group's investments on an equity basis.

RISK MANAGEMENT PROCESS

The Group adopted the COSO-ERM Intergrated Framework as the Group's framework in managing the Enterprise Risk Management of the Group. The framework is a worldwide recognised comprehensive framework advocates by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).

The COSO-ERM adopted comprises a wide range of techniques for managing risk in a holistic way that correctly identifies risks and prioritises the appropriate responses. It is also to ensure that risk management is aligned across the Group's management organisational structure. The process of identifying, evaluating, monitoring and managing significant risk is embedded in the various work processes and procedures of the respective operational functions and management team. Any significant issues and controls implemented were discussed at the regular operations and management meetings.

The RMSC is chaired by an Independent Non-Executive Director and comprises Senior Management of the Group where they develop a risk management profile in which new risks are identified, mitigation plans and changes in risk profile (if any) are discussed on an annual basis with the assistance of our outsourced Internal Auditor. During the financial year under review, an updated risk profile of the Group which including Covid-19 Control Management Procedures was presented and deliberated by the RMSC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

KEY ELEMENTS OF INTERNAL CONTROLS

The key elements of the Group's system of internal controls are described below:

- **Board Committees**

The delegation of responsibilities to the various committees of the Board is clearly defined. At present, committees established are AC, Nomination Committee, Remuneration Committee, RMSC and Employees' Share Option Scheme Committee.

- **Organisational Structure**

The Group has a defined organisational structure that is aligned with its business and operational requirements. Defined lines of accountability, delegation of responsibility and level of authorisation for all aspects of the business have been laid down and communicated throughout the Group.

- **Policies and Procedures**

There are policies and procedures in place to ensure the adequacy of controls and compliance with relevant laws and regulations. These policies and procedures are periodically reviewed and updated to reflect changes in business structure and processes. Certain companies within the Group have obtained ISO 9001:2015 accreditation for operational purposes. These certifications demonstrate our ongoing commitment to drive excellence and continuous quality improvement.

- **Internal Audit**

The internal audit function carries outsourced Internal Auditor reviews every half a year to ascertain the adequacy of and to monitor operational effectiveness, compliance with applicable laws and regulations, safeguarding shareholders' interests, Company's assets and the reliability of financial information. Where weaknesses have been identified as a result of the reviews, remedial and improvement measures are recommended to strengthen controls; and follow-up reviews are conducted by Internal Auditors to assess the status of the implementation thereof by the Management.

- **Board Meetings**

During the AC and Board meetings, quarterly results, annual financial statements, related party transactions and updates on business development are reviewed.

- **Training and Development Programmes**

Training and development programmes are established to ensure that staff are constantly kept up-to-date with the constant technologically changing environment in order to be competent in the industry in line with the Group's business objectives.

- **Good Corporate Governance Policies**

Implemented Anti-bribery and Corruption Policy and Whistleblowing Policy to supplement the Group's Code of Conduct and Ethics. This is also part of the Group's efforts to eliminate corporate liabilities risk in relation to the new provision of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT FUNCTIONS

The AC evaluates the effectiveness of the internal audit function in relation to their defined responsibilities. The internal audit function is outsourced to an independent external service provider, Sterling Business Alignment Consulting Sdn Bhd to provide independent assurance to the AC.

The role of the internal audit remains independent and has no direct operational responsibility or authority over any of the activities audited. Accordingly, internal audit does not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activities that may impair the internal auditor's judgment.

The Internal Auditors adopt the risk-based internal audit approach by reviewing the latest risk register, risk matrix and also consider the Company's business environment and activities, etc to gauge the business conditions when preparing the yearly Internal Audit Plan.

On a half-yearly basis, the Internal Auditors attend the AC meetings to present the Internal Audit Report which includes overall audit opinion, significant weakness identified, recommended action plans, management responses, responsible personnel and deadlines. Follow-up reviews are also carried out to assess the status of implementation of management action plans, which are based on recommended action plans. The results of these follow-up reviews are also highlighted to the AC at their meetings.

For the financial year ended 31 December 2020, the total cost incurred for the outsourced internal audit function was RM40,000.

ASSURANCE FROM THE MANAGEMENT

In line with the Guidelines, the Group Chief Executive Officer and General Manager - Finance and Corporate Services have provided assurance to the Board stating that the Group's risk management and internal control system have operated adequately and effectively in all material aspects to meet the Group's objectives during the period under review.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

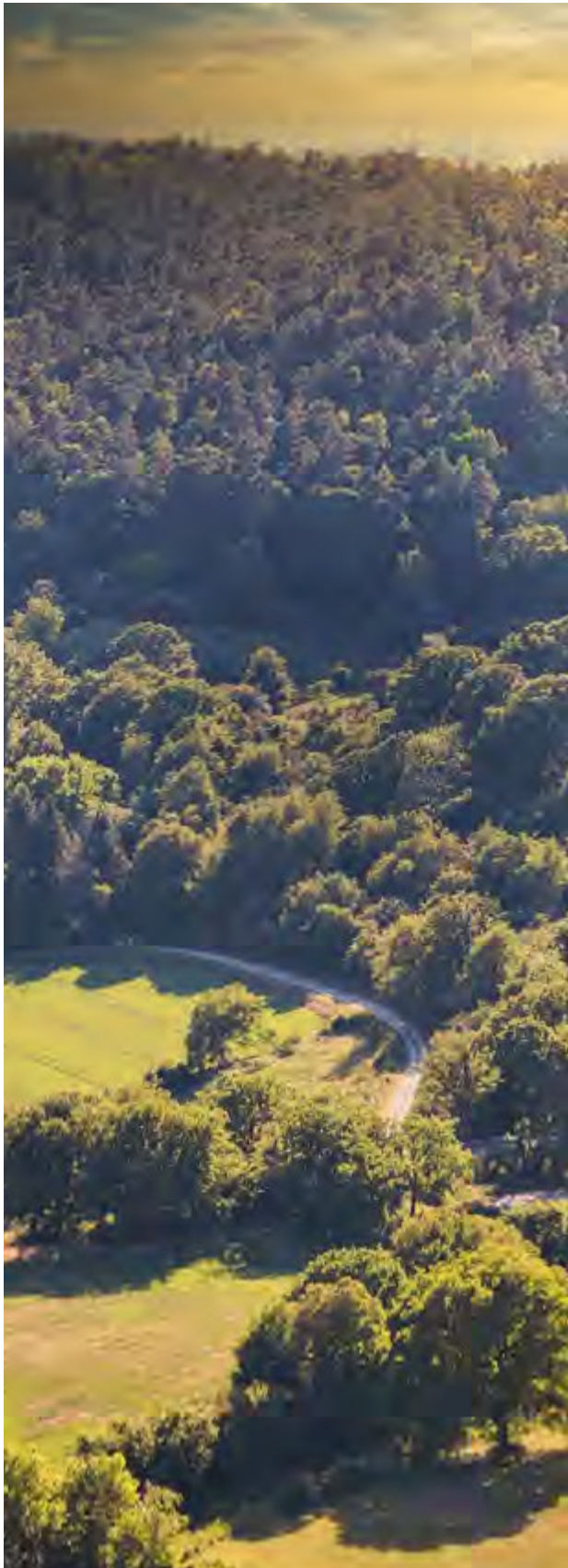
Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. Their limited assurance review was performed in accordance with Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagement Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3 ("AAPG 3") - Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on their reviews, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

CONCLUSION

For the financial year under review and up to the date of issuance of the Statement in the Annual Report, the AC and RMSC have discussed on the content of this Statement and further recommended it for the Board's approval. Subsequently, the Board is pleased to report that the state of the control system and risk management internal practices are able to meet the objectives of the Group and to facilitate good corporate governance.

This Statement has been approved by the Board of Directors at its meeting on 22 April 2021.

SUSTAINABILITY STATEMENT



SUSTAINABILITY IS A JOURNEY NOT A DESTINATION. OVER THE YEARS, ADVANCECON HAS TAKEN STEPS TO PROGRESSIVELY IMPROVE OUR SUSTAINABILITY PERFORMANCE.

Our Sustainability Statement ("Sustainability Statement" or "Statement") for the financial year ended 31 December 2020 ("FY2020") provides an overview of Advancecon Holdings Berhad and its subsidiaries' ("Advancecon" or "the Group") initiatives and practice, highlighting our economic, environmental and social impacts. This Statement has been prepared in accordance with Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("Bursa Securities") ("MMLR").

GOVERNANCE STRUCTURE AND RESPONSIBILITY

We established the sustainability governance structure in 2017 which we maintained for this year. We improved on this governance structure with greater focus on key areas on the context of the Economic, Environmental and Social ("EES") and report the progress of these key areas through the collection and monitoring of data.



SUSTAINABILITY STATEMENT (CONT'D)



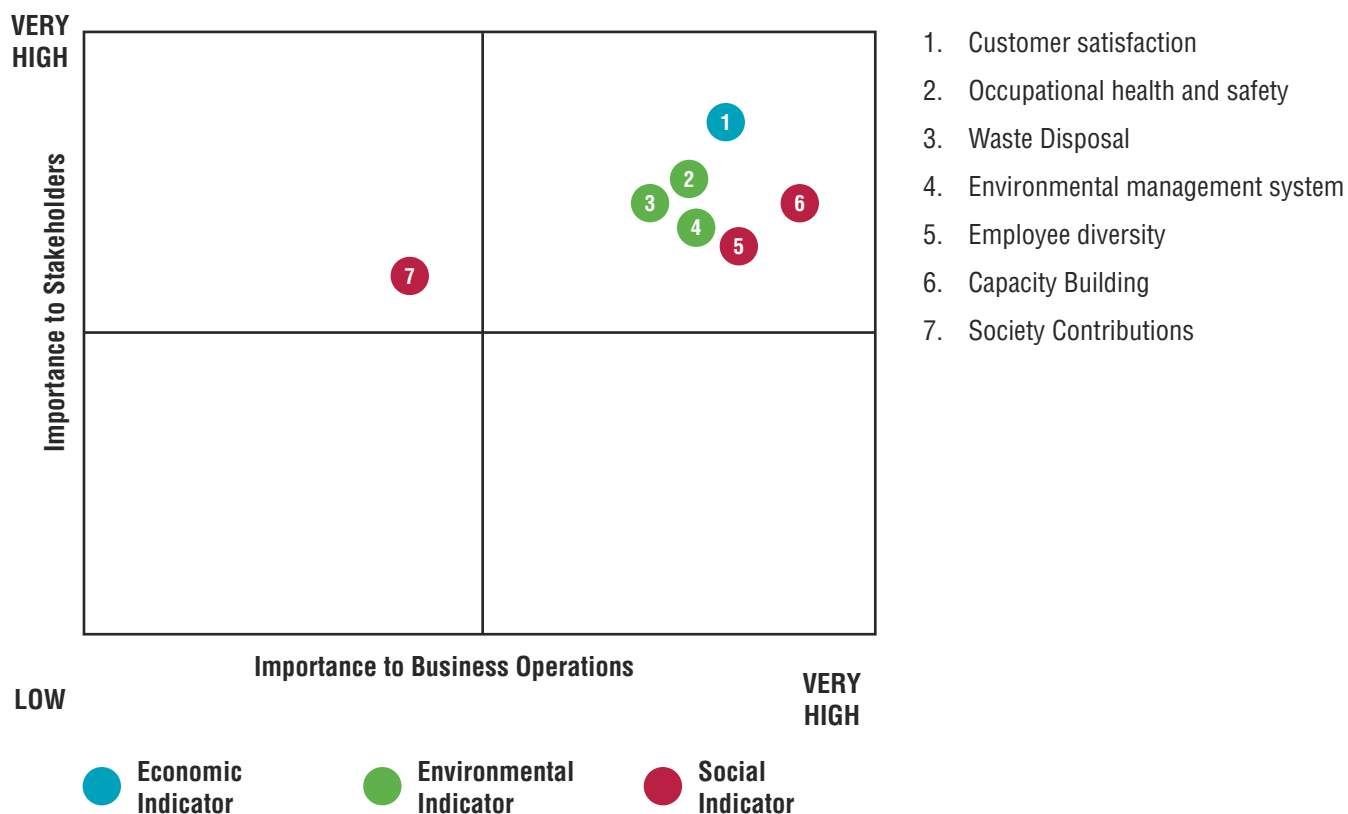
OUR KEY AREAS IN THE CONTEXT OF EES

In 2020, the Group emphasised these seven key areas:

- Customer satisfaction;
- Occupational health and safety;
- Waste disposal;
- Environmental management system;
- Employee diversity;
- Capacity Building; and
- Society Contributions

MATERIALITY ASSESSMENT

The diagram below indicates our materiality assessment for the seven key areas:



SUSTAINABILITY STATEMENT (CONT'D)

ECONOMIC

CUSTOMER SATISFACTION

Our Group recognises that customers' satisfaction is one of the key factors underlying our Group's operations' long-term sustainability. We strive to meet the expectations of our customers through the provision of quality products and services. Gathering customer feedback is critical to understand and ascertain if there is any room for further improvement.

The survey this year showed positive response and thus we aim to perform at a better level next year.

DESCRIPTION	2020	2019
Total projects surveyed	18	12
Total on-going / completed	14/4	8/4
Highest score	95%	85%
Lowest score	65%	68%

ENVIRONMENTAL

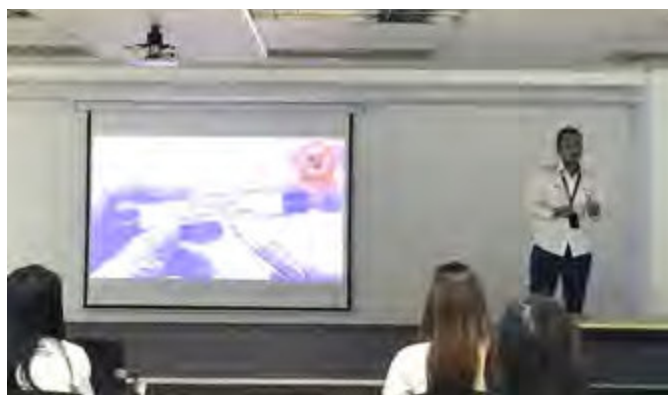
OCCUPATIONAL HEALTH AND SAFETY ("OHS")

Keeping our people safe is our first and primary responsibility as a company. Advancecon has developed a comprehensive Health and Safety framework to create safety awareness among the employees. This is to ensure a safe and healthy working environment for the employees.

Throughout the year, we have conducted 275 on the job training sessions for some of 624 participants in our project sites. During the FY2020, there are no major accidents occurring at any of the Group's construction sites. In recognition of our achievement, Advancecon received 3 awards which were assessed under the Safety and Health Assessment System in Construction ("SHASSIC") by Construction Industri Development Board or ("CIDB") during SHASSIC Day 2020.



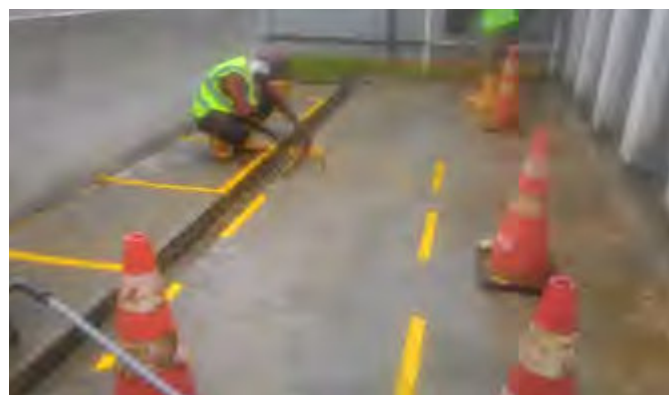
SUSTAINABILITY STATEMENT (CONT'D)



Following the global outbreak of COVID-19, our Group has launched Covid-19 Preparedness and Response which has set up stringent standard operating procedures in compliance with the guidelines and standard operating procedures from the Malaysian Government and health authorities, including:

- establishing Task Force Teams and Emergency Response Systems,
- daily disinfection and temperature reading,
- introducing alternative work arrangements,
- postponing group events and trainings,
- enforcing quarantine rules,
- reduced non-essential travel, and
- meetings were conducted via video conferencing.

In 2020, we have organised COVID-19 RT-PCR and RTK Antigen swab test **for 88% of local employees and 100% of Foreign Employees**. Head Office and Project Sites have also conducted Emergency Response Exercise which cover the Pandemic Outbreak collaboration with Academy of Safety and Emergency Care ("ASEC") and BOMBA.



SUSTAINABILITY STATEMENT (CONT'D)

WASTE DISPOSAL

As a responsible corporation, we have initiated various sustainable environmental conservation efforts. We manage scheduled waste according to the stipulated legislations where a designated storage area is constructed at all sites based on guidelines and specifications. We have invested in several used 20- foot containers dividing each one into 5 compartments to store different scheduled waste types. Scheduled waste is collected by a licensed contractor and transported to a certified facility for disposal.



ENVIRONMENTAL MANAGEMENT SYSTEM

During the year, the Group had successfully maintained the ISO 14001:2015 certification that further strengthened our commitment towards sound environmental management and practices.

We have established a Corporate Environmental Policy and commitment which enables us:

- To comply with all applicable legislation as far as it is reasonably practicable to minimise the adverse effects to the environment and respect the interests of surrounding neighbourhood;
- To develop and foster a strong environmental care culture with a high level of awareness;
- To ensure every employee and interested parties conduct themselves in ways consistent with our environmental practices; and
- To prevent situations of environmental pollution to air, land and / or water through strict conformity to regulatory requirements at all times.



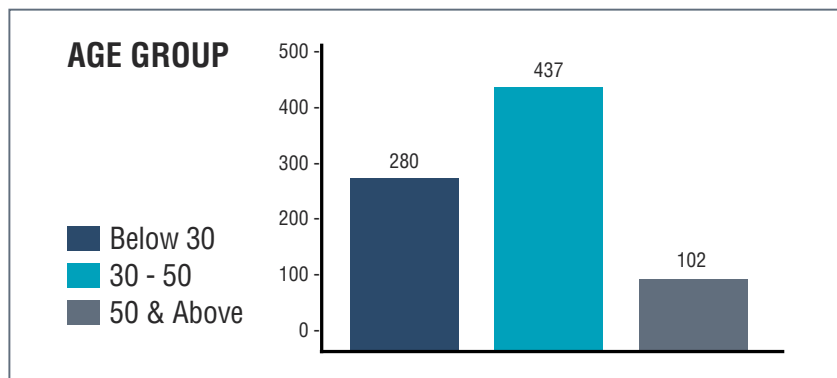
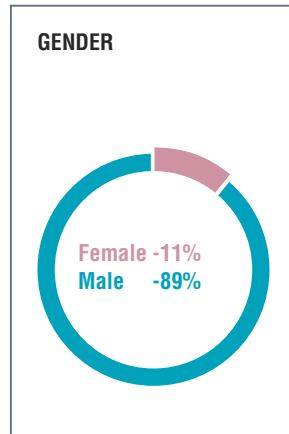
SUSTAINABILITY STATEMENT (CONT'D)

SOCIAL

EMPLOYEE DIVERSITY

At Advancecon, we recruit our people mainly based on their skills, industry experience and interpersonal skills. We embrace diversity within our workforce which comprises a mix of employees from different genders, age groups and ethnicity. Diversity also ensures that the Group has the requisite variety of skillsets and understanding to effectively serve our stakeholders, both internal and external.

As of 31 December 2020, we have a total of 819 employees, as summarised as follows:



SOCIETY CONTRIBUTIONS

Advancecon feels privileged to have been able to support communities in need and make a difference in their lives. Throughout the FY2020, the Group continued to make progress in operating responsibly. Despite business which was affected by the outbreak of COVID-19, we managed to be part of the initiatives to provide Grocery Donations Programme during MCO 1.0, make charitable donation to Cancer Research Malaysia, Kelab Yayasan Islam Terengganu, etc. Moving forward, we will continue to provide contributions to various charitable organisations and participate in the internship programme.

CAPACITY BUILDING

The Group recognises the importance of human capital development to meet challenges. With this in mind, we have identified employee training needs and provided the required skills training in areas such as Human Resource Management, Health Safety and Environment Management System, etc. In doing so, the employees will be able to perform more effectively, skillfully and qualitatively.

During the year under review, the Group's employees (including Executive and Non-Executive / Blue Collar Staff) clocked in a total of 2,000 training hours, equivalent to an average of 11.01 training hours for Executive and above, and 8.07 training hours for Non-Executive / Blue Collar Staff.



18 Training Provided
(In-House/ External)



209 Total
Participants



106 Executive



103 Non-Executive
/ Blue Collar Staff



SUSTAINABILITY STATEMENT (CONT'D)

ENGAGING OUR STAKEHOLDERS

Throughout the year, Advancecon actively engaged with different stakeholders through various channels so that we can offer timely responses that anticipate and address their concerns. This helps to improve our business decision-making and informs us of our stakeholders' expectations.

The engagement approach to key stakeholders can be summarised below:

STAKEHOLDERS	ISSUES	METHODS OF ENGAGEMENT	FREQUENCY
 Employees	• Remuneration and benefits • Training and development • Workplace OHS	• Meeting with employees • Performance appraisal • Training need analysis • Safety walkabout audit • OHS committee meeting	• Throughout the year • Annually • Annually • Monthly • Quarterly
 Investor / Shareholders	• Business performance • Growth/ expansion plan • Compliance • Corporate governance	• Annual general meeting • Annual report • Quarterly results announcement • Investors' briefing • Press release • One-on-one/ group meeting with analysts and fund managers	• Annually • Annually • Quarterly • Twice yealy • Throughout the year (as and when required)
 Customers	• Quality and workmanship • Timely performance delivery • Professionalism and responsiveness • Effectiveness of Quality Management System	• Customer satisfaction survey	• Annually
 Regulator	• Compliance with regulatory requirements • Site management such as waste disposal	• Site inspections	• Throughout the year (as and when required)

AUDIT COMMITTEE REPORT

The Board of Directors (“the Board”) of Advancecon Holdings Berhad (“the Company”) is pleased to present the Audit Committee (“AC”) Report for the financial year ended 31 December 2020 (“FY2020”).

AC COMPOSITION AND ATTENDANCE

The AC comprises three members and all of whom are Independent Non-Executive Directors (“INED”), which meets the requirements of Paragraphs 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”).

The AC currently comprises the following members:

1. Mohd Zaky Bin Othman (Chairman, INED)
2. Yeoh Chong Keat (Member, INED)
3. Fathi Ridzuan Bin Ahmad Fauzi (Member, INED)

In FY2020, the AC met six times and had private discussions with both the External and Internal Auditors without the presence of the Executive Directors and the Management. The Executive Directors, Group Chief Financial Officer, External Auditors, Internal Auditors and other Board members attended the AC meetings upon invitation, as and when necessary. The attendance record of AC members is as follows:

Name	Meeting attendance
Mohd Zaky Bin Othman	6 / 6
Yeoh Chong Keat	6 / 6
Fathi Ridzuan Bin Ahmad Fauzi	6 / 6

During the FY2020, the AC had engaged with the External Auditors to review the key audit issues and audit concerns affecting the Company.

Minutes of each AC meeting were noted by the Board via distribution to each Board member and the Chairman of the AC reports on the deliberations of the AC at each Board meeting.

TOR OF THE AC

The AC had discharged its functions and carried out its duties as set out in the Terms of Reference (“TOR”) of the AC.

The TOR of the AC is available for reference on the Company’s website at www.advancecon.com.my.

AUDIT COMMITTEE
REPORT (CONT'D)**SUMMARY OF ACTIVITIES OF THE AC DURING THE FY2020**

During the FY2020, the summary of activities carried out by the AC is as follows:

1. Financial Reporting

- (a) Reviewed the unaudited financial results of the Group and annual audited financial statements of the Group before recommending the same for the Board's approval for release to Bursa Securities. Discussions were focused particularly on any change in the accounting policies and its implementation; significant and unusual events arising from the audit; the going concern assumption; compliance with accounting standards and other statutory requirements; significant matters highlighted in the financial statements; and significant judgements made by Management.

2. Internal Audit

- (a) Reviewed and approved the Internal Audit Plan for FY2020 proposed by the Internal Auditors ("Sterling") to ensure the adequacy of the scope, method of works, independence, coverage of works and that Sterling has the necessary authority to carry out its works.
- (b) Reviewed the Internal Audit Reports together with the recommendations from Sterling. The AC considered Sterling's recommendations which had taken into account the Management's responses, and upon which approved the Internal Auditors' proposals for rectification and implementation of the agreed remedial actions.
- (c) Undertook assessment of the performance of the Internal Auditors and reviewed the effectiveness of the audit processes.
- (d) Reviewed and discussed the major issues raised on ad-hoc basis performed audits on areas of concern raised by the AC and/or the Board.

3. External Audit

- (a) Discussed and deliberated the External Auditors' Audit Planning Memorandum which covers engagement and reporting requirements, audit approach, areas of audit emphasis, communication with Management, engagement team, reporting and deliverables, accounting standards update, tax update, amendments to MMLR, sample draft Independent Auditor's Report, indicators of going concern and enforcement of Companies Act 2016.
- (b) Discussed and deliberated on the External Auditors' Audit Review Memorandum and deficiencies in internal control based on observations made during the course of the audit.
- (c) Reviewed the draft Audited Consolidated Financial Statements for the financial year ended 31 December 2019 before recommending the same to the Board for approval.
- (d) Had discussions with both the External and Internal Auditors, without Management's presence, on matters pertaining to the audits and the financial statements.
- (e) Evaluated and reviewed the performance, suitability and independence of the External Auditors and make recommendations to the Board on their reappointment and remuneration for ensuing year.

4. Related Party Transactions ("RPT")

- (a) Reviewed and recommended the RPT presented by Management to the Board on a quarterly basis for approval, to ensure that these transactions are undertaken in the best interest of the Company, fair, reasonable and based on normal commercial terms and not detrimental to the interest of the minority shareholders.
- (b) Monitored the thresholds of the RPT and recurrent related party transactions ("RRPT") to ensure compliance with MMLR. For FY2020, the AC noted that there were no RRPT within the Group.

AUDIT COMMITTEE REPORT (CONT'D)

5. Annual Reporting

Reviewed the AC Report and Statement on Risk Management and Internal Control to ensure adherence to the relevant statutory requirements and recommended the same to the Board for approval.

6. Employees' Share Option Scheme ("ESOS")

Reviewed and verified the options allocations pursuant to the ESOS of the Company during the financial year under review. The AC was satisfied that the allocation of options during the FY2020 was in compliance with the criteria set out in the ESOS By-Laws and by the ESOS Committee.

TRAINING

During the FY2020, all of the AC members have attended various seminars, training programme and conferences. The list of trainings attended is disclosed in the Corporate Governance Overview Statement on page 28 of this Annual Report.

INTERNAL AUDIT FUNCTION

The Company engaged the services of an independent professional firm i.e., Sterling Business Alignment Consulting Sdn Bhd ("Sterling") to carry out the internal audit functions of the Group in order to assist the AC in discharging its duties and responsibilities.

The outsourced internal audit function reports directly to the AC. AC has full access to the outsourced internal audit function and reviews reports from them on all internal audits performed. The audit engagement of the outsourced internal audit function is governed by the engagement letter. The Internal Auditors are empowered by the AC to provide an objective evaluation of risks and controls in the audited activities to ensure a sound system of internal controls. To preserve the independence and objectivity, the outsourced internal audit function is not permitted to implement internal controls, develop procedures, install systems, prepare records, or engage in any other activities that may impair Internal Auditor's judgment.

The Internal Auditors adopts a risk-based audit methodology to develop its audit plan and activities. The internal audit functions of the Group are carried out according to the Internal Audit Plan as approved by the AC with feedback from management. Greater focus and appropriate review intervals are set for higher risk activities, risk management, material internal controls process, including compliance with the Company's policies, procedures, governance and regulatory requirements. In addition, the oversight of the internal audit functions by the AC is enhanced by the review of the resources of the outsourced internal audit function in terms of their qualification and experience/ exposure and continuous professional development of the employees of the outsourced internal audit function.

During the FY2020, the Internal Auditors have performed the internal audit according to the approved Internal Audit Plan. Internal Audit Reports were issued and tabled at each AC meeting through out FY2020. The Internal Audit Reports were also issued to the respective operations management, incorporating audit recommendations and management responses. The Internal Auditors conducted follow-up audits to ensure the recommendations were implemented appropriately. Further details of the internal audit function and its activities are provided in the Statement on Risk Management and Internal Control, set out in pages 32 to 34 of this Annual Report.

The cost incurred for the internal audit function in respect of the FY2020 was RM40,000 (FY2019: RM56,000).

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Directors are required by the Companies Act 2016 (“the Act”) and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to prepare the financial statements for each financial year in accordance with applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards and requirements of the Act in Malaysia.

The Directors are responsible to ensure that the audited financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group and the Company for the financial year. Where there are new accounting standards or policies that become effective during the year, the impact of these new treatments would be stated in the notes to the financial statements, accordingly.

In preparing the financial statements, the Directors have:

- adopted appropriate and relevant accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensure that all applicable accounting standards have been followed; and
- prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue operations for the foreseeable future.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors have overall responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

Save as disclosed below, Advancecon Holdings Berhad ("Company") and its subsidiaries ("the Group") does not have any proceeds from corporate proposals.

The Company has undertaken a Public Issue of 90,000,000 new ordinary shares at an issue price of RM0.63 per share in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company was successfully admitted to the Official Lists of Bursa Securities on 10 July 2017. On 29 August 2018, the Company announced its intention to vary the utilisation of proceeds raised from the Initial Public Offering ("IPO") exercise of RM56.70 million ("IPO Proceeds"). On 26 August 2020, the Board announced to extend the estimated of timeframe for construction of new workshop from within 36 months to within 54 months from date of IPO.

The details of the variations of the IPO Proceeds as at 31 December 2020 are as set out below:

	Details of utilisation	Allocation of IPO Proceeds upon listing ⁽¹⁾ RM'000	Allocation of IPO Proceeds upon listing (revised) RM'000	Actual utilisation of IPO Proceeds RM'000	Unutilised IPO Proceeds RM'000	Estimated timeframe for utilisation (from the listing date) RM'000
i.	Total Capital expenditures:	29,700	27,050	(12,960)	14,090	Within 54 ⁽³⁾ months
	(a) Purchase of new construction machinery and equipment	15,100	12,960	(12,960)	-	Within 24 months
	(b) Construction of new workshop	14,600	14,090 ⁽²⁾	-	14,090	Within 54 ⁽³⁾ months
ii.	Repayment of bank borrowings	12,500	12,455 ⁽²⁾	(12,455)	-	Within 6 months
iii.	Working capital	10,700	13,395	(13,395)	-	Within 24 months
iv.	Estimated listing expenses	3,800	3,800	(3,800)	-	Upon Listing
		56,700	56,700	(42,610)	14,090	

Notes:

(1) As per IPO Prospectus dated 19 June 2017.

(2) On 29 August 2018, the Board announced that the company will re-allocate the utilisation for the construction of new workshop and repayment of bank borrowings to day-to-day working capital expenses for payment to suppliers.

(3) On 26 August 2020, the Board announced to extend the estimated of timeframe for construction of new workshop from within 36 months to within 54 months from date of IPO.

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

2. AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid/payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Group and the Company for the financial year ended 31 December 2020 ("FY2020") are as follows:

Type of fee	Group (RM)	Company (RM)
Audit Fees	167,000	40,000
Non-audit Fees		
-Review of Statement of Risk Management and Internal Control	5,000	5,000
Total	172,000	45,000

3. MATERIAL CONTRACTS

During the year under review, the Company and its subsidiaries did not enter into any material contracts involving Directors' and major shareholders' interest.

4. EMPLOYEES SHARE OPTION SCHEME ("ESOS")

The shareholders of the Company had via an Extraordinary General Meeting held on 18 January 2018 approved the ESOS of up to 15% of the issued and paid-up share capital of the Company at any point of time during the duration of the ESOS. The ESOS is for a duration of five years commencing from the date of implementation of ESOS on 20 September 2018, unless extended further.

The total number of options granted to the eligible Executive Directors and employees of the Group and outstanding options under the ESOS as at 31 December 2020 are set out in the table below:

Description	Number of options as at 31 December 2020
Granted during the financial year	18,151,000
Exercised during the financial year	1,147,000
Outstanding options exercisable during the financial year	17,004,000

The total number of options granted to the Executive Directors and Senior Management, and outstanding options under ESOS as at 31 December 2020 are set out in the table below:

For the FY2020	Total	Executive Directors	Senior Management	Other eligible employees
Number of shares granted	18,151,000	3,800,000	3,430,000	10,921,000
Number of shares vested	1,147,000	-	120,000	1,027,000
Number of shares outstanding	17,004,000	3,800,000	3,310,000	9,894,000

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

Percentage of options granted to Executive Directors and Senior Management under the ESOS are as follows:

Description	Since commencement up to 31 December 2020
Aggregate maximum allocation applicable to Directors and Senior Management	10,000,000
Actual percentage granted	50%

5. CONTRACTS RELATING TO LOANS

There were no contracts relating to loans entered into by the Company involving Directors' and major shareholders' interest.

6. RELATED PARTY TRANSACTIONS

A list of the significant related party transactions between the Company and its subsidiaries, and between the Group and other related parties for the FY2020 is set out on page 122 of the Annual Report.

FINANCIAL STATEMENTS

THE REPORT

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63	Statements Of Changes In Equity
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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of providing management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

RESULTS

	The Group RM	The Company RM
Profit after taxation for the financial year	2,101,045	1,328,927
Attributable to:- Owners of the Company	2,101,045	1,328,927

DIVIDENDS

Dividend paid by the Company since 31 December 2019 are as follows:-

	RM
<u>In respect of the financial year ended 31 December 2020</u>	
A first interim single-tier dividend of 1 sen per ordinary share, paid on 30 December 2020	3,956,937

The directors do not recommend the payment of any further dividends for the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

- (a) The Company increased its issued and paid-up share capital from RM86,584,921 to RM87,101,071 by an issuance of 1,147,000 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme as disclosed in Note 17 to the financial statements which amounted to RM516,150.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

- (b) there were no issues of debentures by the Company.

DIRECTORS'
REPORT (CONT'D)**TREASURY SHARES**

During the financial year, the Company purchased 8,220,300 of its issued ordinary shares from the open market at an average price of RM0.35 per share. The total consideration paid for the purchases were RM2,910,266 including transaction costs. The shares purchased are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 31 December 2020, the Company held as treasury shares a total of 9,381,300 of its 405,075,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM3,249,343. The details of the treasury shares are disclosed in Note 17 to the financial statements.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company except for the share options granted pursuant to the Company's Employee Share Option Scheme below.

EMPLOYEE SHARE OPTION SCHEME

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 18 January 2018. The ESOS is to be in force for a period of 5 years effective from 6 March 2018.

The details of the ESOS are disclosed in Note 19 to the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

DIRECTORS' REPORT (CONT'D)

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Dato' Phum Ang Kia
Lim Swee Chai
Ir. Yeo An Thai
Tung Kai Hung
Yeoh Chong Keat
Fathi Ridzuan bin Ahmad Fauzi
Mohd Zaky bin Othman

The names of directors of the Company's subsidiaries who served during the financial year and up to the date of this report, not including those directors mentioned above, are as follows:-

Phum Boon Lim
Teh Heng Wee (Resigned on 26.11.2020)

DIRECTORS'
REPORT (CONT'D)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares or options over unissued shares of the Company and its related corporations during the financial year are as follows:

< ----- Number of Ordinary Shares ----- >				
	At 1.1.2020	Bought	Sold	At 31.12.2020
The Company				
<i>Direct Interests</i>				
Dato' Phum Ang Kia	96,563,750	-	-	96,563,750
Lim Swee Chai	53,038,250	-	-	53,038,250
Ir. Yeo An Thai	14,875,250	-	-	14,875,250
Tung Kai Hung	8,875,250	-	-	8,875,250
Yeoh Chong Keat	25,000	-	-	25,000
Fathi Ridzuan bin Ahmad Fauzi	25,000	-	-	25,000

< ----- Number of Options under ESOS ----- >				
	At 1.1.2020	Granted	Exercised	At 31.12.2020
The Company				
<i>Direct Interests</i>				
Dato' Phum Ang Kia	1,000,000	-	-	1,000,000
Lim Swee Chai	1,000,000	-	-	1,000,000
Ir. Yeo An Thai	900,000	-	-	900,000
Tung Kai Hung	900,000	-	-	900,000

By virtue of his shareholding in the Company, Dato' Phum Ang Kia is deemed to have interests in shares in its related corporations during the financial year to the extent of the Company's interest, in accordance with Section 8 of the Companies Act 2016.

The other director holding office at the end of the financial year had no interest in shares, or options over unissued shares of the Company or its related corporations during the financial year.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 35(b) to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than the share options granted to certain directors pursuant to the ESOS of the Company.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 34(a) to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, the total amount of indemnity coverage and insurance premium paid for the directors and a principal officer of the Group and of the Company were RM10,000,000 and RM17,500 respectively. No indemnity was given to or insurance effected for auditors of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 5 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The significant event during the financial year is disclosed in Note 40 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 30 to the financial statements.

Signed in accordance with a resolution of the directors dated

Dato' Phum Ang Kia

Lim Swee Chai

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Phum Ang Kia and Lim Swee Chai, being two of the directors of Advancecon Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 60 to 146 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated

Dato' Phum Ang Kia

Lim Swee Chai

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Lau Kent Lit @ Loh Kent Lit, MIA Membership Number: 33683, being the officer primarily responsible for the financial management of Advancecon Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 60 to 146 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Lau Kent Lit @ Loh Kent Lit
at Kuala Lumpur
in the Federal Territory
on this

Before me

Lau Kent Lit @ Loh Kent Lit

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ADVANCECON HOLDINGS BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Advancecon Holdings Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 146.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 *Auditors' Responsibilities* for the *Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company 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 (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT
AUDITORS' REPORT

TO THE MEMBERS OF ADVANCECON HOLDINGS BERHAD (CONT'D)

Key Audit Matters (Cont'd)**Revenue Recognition for Construction Contracts**

Refer to Note 29 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for construction contracts, due to the contracting nature of the business, involves significant judgements. This includes the determination of the total budgeted contract costs and the calculation of percentage of completion which affects the quantum of revenue to be recognised. In estimating the revenue to be recognised, the management considers past experience and certification by customers and independent third parties, where applicable. We determined this to be a key audit matter due to the complexity and judgemental nature of the budgeting of contract costs and the determination of revenue recognised.	Our procedures included, amongst others:- • Read all key contracts and discussed with management to obtain an understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; • Tested costs incurred to date to supporting documentation such as contractors' claim certificates; • Assessed the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables; • Assessed the reasonableness of percentage of completion by comparing to certification by external parties; and • Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses.

Impairment Assessment of Trade Receivables

Refer to Note 10 to the financial statements

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group carries significant trade receivables and is exposed to credit risk, or the risk of counterparties defaulting. The assessment of the adequacy of the allowance for impairment losses involved judgement, which includes analysing historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms.	Our procedures included, amongst others:- • Obtained an understanding of:- • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewed the ageing analysis of receivables and testing the reliability thereof; • Reviewed subsequent cash collections for major receivables and overdue amounts; • Made inquiries of management regarding the action plans to recover overdue amounts; • Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection; • Examined other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.; and • Evaluating the reasonableness and adequacy of the allowance for impairment recognised.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ADVANCECON HOLDINGS BERHAD (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 statements.

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 statements of the Group and of the Company, 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ADVANCECON HOLDINGS BERHAD (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 and the Company'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 and the Company'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 statements of the Group and the Company 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 an opinion on the financial statements 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

Chin Kit Seong
03030/01/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	5	-	-	12,864,297	12,864,297
Investment in an associate	6	-	167,182	225,000	225,000
Property, plant and equipment	7	120,741,965	140,344,831	7,389,321	7,843,283
Investment properties	8	43,483,039	38,661,602	-	-
Other investments		2,994	2,994	-	-
Deferred tax assets	20	160,149	160,149	160,149	160,149
Finance lease receivables	9	1,790,560	3,881,197	-	-
		166,178,707	183,217,955	20,638,767	21,092,729
CURRENT ASSETS					
Contract assets	11	106,056,723	98,904,425	-	-
Finance lease receivables	9	2,114,930	1,869,686	-	-
Trade receivables	10	66,673,120	63,533,958	-	-
Other receivables, deposits and prepayments	12	9,379,213	10,155,442	58,922	73,905
Amount owing by subsidiaries	13	-	-	74,650,947	80,001,052
Amount owing by an associate	14	941,218	116,426	-	37,876
Short-term investments	15	1,390,666	2,029,521	153,299	149,695
Current tax assets		2,844,701	1,357,655	28,218	15,865
Deposits with licensed banks	16	50,053,145	39,629,498	264,074	256,362
Cash and bank balances		2,232,770	9,165,984	237,034	1,230,607
		241,686,486	226,762,595	75,392,494	81,765,362
TOTAL ASSETS		407,865,193	409,980,550	96,031,261	102,858,091

The annexed notes form an integral part of these financial statements.

STATEMENTS OF
FINANCIAL POSITION

AT 31 DECEMBER 2020 (CONT'D)

		The Group		The Company	
	Note	2020 RM	2019 RM	2020 RM	2019 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	17	87,101,071	86,584,921	87,101,071	86,584,921
Treasury shares	18	(3,249,343)	(339,077)	(3,249,343)	(339,077)
Reserves	19	1,700,400	1,815,100	1,700,400	1,815,100
Retained profits		102,008,584	103,864,476	6,006,129	8,634,139
TOTAL EQUITY		187,560,712	191,925,420	91,558,257	96,695,083
NON-CURRENT LIABILITIES					
Deferred tax liabilities	20	4,446,380	3,792,025	-	-
Long-term borrowings	21	24,693,873	25,493,245	3,688,212	3,887,396
Lease liabilities	22	32,213,598	35,443,821	43,407	115,071
		61,353,851	64,729,091	3,731,619	4,002,467
CURRENT LIABILITIES					
Contract liabilities	11	16,670,776	11,196,440	-	-
Trade payables	24	54,427,963	48,096,523	-	15,808
Other payables and accruals	25	11,260,510	26,257,346	337,559	1,631,176
Amount owing to subsidiaries	13	-	-	26,127	114,664
Amount owing to an associate	14	98,942	205,799	-	-
Amount owing to a director	26	192,290	-	-	-
Current tax liabilities		56,586	-	-	-
Short-term borrowings	27	51,467,468	47,523,210	306,035	330,560
Lease liabilities	22	20,897,158	18,230,627	71,664	68,333
Bank overdrafts	28	3,878,937	1,816,094	-	-
		158,950,630	153,326,039	741,385	2,160,541
TOTAL LIABILITIES		220,304,481	218,055,130	4,473,004	6,163,008
TOTAL EQUITY AND LIABILITIES		407,865,193	409,980,550	96,031,261	102,858,091

The annexed notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
REVENUE	29	250,335,667	302,337,446	6,393,516	9,305,393
COST OF SALES		(222,399,679)	(256,718,586)	-	(1,790)
GROSS PROFIT		27,935,988	45,618,860	6,393,516	9,303,603
OTHER INCOME		4,188,425	2,937,221	457,919	2,268,896
		32,124,413	48,556,081	6,851,435	11,572,499
ADMINISTRATIVE EXPENSES		(16,238,032)	(21,560,572)	(4,888,808)	(6,442,469)
OTHER EXPENSES		(2,690,494)	(3,576,642)	(455,562)	(430,249)
FINANCE COSTS		(6,382,440)	(7,080,650)	(178,138)	(213,757)
SHARE OF RESULT OF AN EQUITY ACCOUNTED ASSOCIATE	6	(167,182)	(57,788)	-	-
PROFIT BEFORE TAXATION	30	6,646,265	16,280,429	1,328,927	4,486,024
INCOME TAX EXPENSE	31	(4,545,220)	(5,455,249)	-	(5,514)
PROFIT AFTER TAXATION		2,101,045	10,825,180	1,328,927	4,480,510
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		2,101,045	10,825,180	1,328,927	4,480,510
PROFIT AFTER TAXATION ATTRIBUTABLE TO:- Owners of the Company		2,101,045	10,825,180	1,328,927	4,480,510
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:- Owners of the Company		2,101,045	10,825,180	1,328,927	4,480,510
Earnings per share (Sen)					
- Basic	37	0.53	2.69		
- Diluted	37	0.53	2.68		

The annexed notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Note	Share Capital RM	Treasury Shares RM	Non- distributable Employee Share Option Reserve RM	Distributable Retained Profits RM	Total RM
The Group					
Balance at 1.1.2019	85,752,871	(339,077)	1,116,498	95,455,898	181,986,190
Profit after taxation/Total comprehensive income for the financial year	-	-	-	10,825,180	10,825,180
Contributions by and distributions to owners of the Company:					
- Recognition of share option expenses	-	-	883,502	-	883,502
- Employees' share options exercised	832,050	-	(184,900)	-	647,150
- Dividend	-	-	-	(2,416,602)	(2,416,602)
Balance at 31.12.2019/1.1.2020	86,584,921	(339,077)	1,815,100	103,864,476	191,925,420
Profit after taxation/Total comprehensive income for the financial year	-	-	-	2,101,045	2,101,045
Contributions by and distributions to owners of the Company:					
- Purchase of treasury shares	-	(2,910,266)	-	-	(2,910,266)
- Employees' share options exercised	516,150	-	(114,700)	-	401,450
- Dividend	-	-	-	(3,956,937)	(3,956,937)
Balance at 31.12.2020	87,101,071	(3,249,343)	1,700,400	102,008,584	187,560,712

STATEMENTS OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Note	Share Capital RM	Treasury Shares RM	Non- distributable Employee Share Option Reserve RM	Distributable Retained Profits RM	Total RM
The Company						
Balance at 1.1.2019		85,752,871	(339,077)	1,116,498	6,570,231	93,100,523
Profit after taxation/Total comprehensive income for the financial year		-	-	-	4,480,510	4,480,510
Contributions by and distributions to owners of the Company:						
- Recognition of share option expenses	19	-	-	883,502	-	883,502
- Employees' share options exercised	19	832,050	-	(184,900)	-	647,150
- Dividend	32	-	-	-	(2,416,602)	(2,416,602)
Balance at 31.12.2019/1.1.2020		86,584,921	(339,077)	1,815,100	8,634,139	96,695,083
Profit after taxation/Total comprehensive income for the financial year		-	-	-	1,328,927	1,328,927
Contributions by and distributions to owners of the Company:						
- Purchase of treasury shares	18	-	(2,910,266)	-	-	(2,910,266)
- Employees' share options exercised	19	516,150	-	(114,700)	-	401,450
- Dividend	32	-	-	-	(3,956,937)	(3,956,937)
Balance at 31.12.2020		87,101,071	(3,249,343)	1,700,400	6,006,129	91,558,257

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES				
Profit before taxation	6,646,265	16,280,429	1,328,927	4,486,024
Adjustments for:-				
Depreciation:				
- investment properties	575,833	572,006	-	-
- property, plant and equipment	25,657,710	25,954,303	455,562	431,616
Early adoption: COVID-19-related rent concessions	(1,000)	-	-	-
Interest expense:				
- lease liabilities	2,680,120	3,315,357	7,267	3,136
- others	3,702,320	3,765,293	170,871	210,621
Gain on dissolution of subsidiaries	(115,340)	(1,934,379)	(115,340)	(1,934,379)
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	-	161,331	-	-
Property, plant and equipment written off	248,232	273,105	-	425
Share of results of an equity accounted associate	167,182	57,788	-	-
Share option expenses	-	883,502	-	178,279
Dividend income:				
- subsidiary	-	-	(3,950,000)	(6,000,000)
- short-term investments	(61,146)	(135,110)	(3,604)	(13,051)
(Gain)/Loss on disposal of property, plant and equipment	(397,808)	610,230	-	-
Interest income:				
- deposits with licensed banks	(1,114,616)	(1,174,258)	(9,575)	(16,447)
- finance lease receivables	(543,492)	(303,635)	-	-
- others	(1,972)	(11,154)	-	-
Operating profit/(loss) before working capital changes	37,442,288	48,314,808	(2,115,892)	(2,653,776)
Increase in contract assets	(7,152,298)	(19,806,445)	-	-
Increase/(Decrease) in contract liabilities	5,474,336	(9,482,698)	-	-
(Increase)/Decrease in trade and other receivables	(2,362,933)	7,700,682	14,983	4,017,799
(Decrease)/Increase in trade and other payables	(882,797)	(332,774)	(1,309,425)	608,633
Decrease in amount owing by subsidiaries	-	-	-	632,333
Increase in amount owing by an associate company	(932,177)	-	-	-
CASH FROM/(FOR) OPERATIONS CARRIED FORWARD	31,586,419	26,393,573	(3,410,334)	2,604,989

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FROM/(FOR) OPERATIONS BROUGHT FORWARD		31,586,419	26,393,573	(3,410,334)	2,604,989
Interest paid		(6,382,440)	(7,080,650)	(178,138)	(213,757)
Income tax refund		-	2,153,928	-	28,000
Income tax paid		(5,321,325)	(8,848,077)	(12,353)	(24,838)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		19,882,654	12,618,774	(3,600,825)	2,394,394
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Net cash flow from deconsolidation of subsidiaries under Member's Voluntary Winding Up	5	-	(177,358)	-	-
Proceeds from dissolution of subsidiaries		115,340	1,984,694	115,340	1,984,694
Investment in a subsidiary		-	-	-	(1,000,000)
Investment in an associate		-	(224,970)	-	(224,970)
Repayment from finance lease receivables		1,987,187	1,093,644	-	-
Repayment from/(Advances to) subsidiaries		-	-	5,350,105	(1,358,413)
Repayment from/(Advances to) an associate		107,385	(111,138)	37,876	(34,088)
Dividend income:					
- subsidiary		-	-	3,950,000	6,000,000
- short-term investments		61,146	135,110	3,604	13,051
Interest received		1,660,080	1,489,047	9,575	16,447
Proceeds from disposal of property, plant and equipment		1,054,600	13,493,570	-	1
Addition to investment properties	33(a)	(8,380)	(11,500)	-	-
Purchase of property, plant and equipment	33(a)	(2,308,461)	(3,372,349)	(1,600)	(1,194,383)
Increase in deposits pledged with licensed banks		(10,423,647)	(6,992,322)	(7,712)	(8,048)
NET CASH (FOR)/ FROM INVESTING ACTIVITIES		(7,754,750)	7,306,428	9,457,188	4,194,291

STATEMENTS OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

	Note	The Group		The Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FOR FINANCING ACTIVITIES					
Dividend paid		(3,956,937)	(6,433,862)	(3,956,937)	(6,433,862)
Proceeds from exercise of ESOS		401,450	647,150	401,450	647,150
Purchase of treasury shares		(2,910,266)	-	(2,910,266)	-
(Repayment to)/Advances from subsidiaries		-	-	(88,537)	3,781
(Repayment to)/Advances from an associate company		(106,857)	205,799	-	-
Repayment of lease liabilities		(18,335,092)	(17,360,190)	(68,333)	(28,364)
Repayment of term loans		(693,938)	(8,436,791)	(223,709)	(310,209)
Net drawdown of bankers' acceptances		5,567,582	2,293,349	-	-
Net (repayment)/drawdown of bank factoring		(4,721,305)	9,498,475	-	-
Net repayment of invoice financing		(1,507,453)	(4,407,480)	-	-
Net drawdown of revolving credit		4,500,000	6,000,000	-	-
NET CASH FOR FINANCING ACTIVITIES		(21,762,816)	(17,993,550)	(6,846,332)	(6,121,504)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,634,912)	1,931,652	(989,969)	467,181
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		9,379,411	7,447,759	1,380,302	913,121
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	33(c)	(255,501)	9,379,411	390,333	1,380,302

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are as follows:-

Registered office	:	Level 5, Block B, Dataran PHB Saujana Resort, Section U2, 40150 Shah Alam, Selangor Darul Ehsan.
Principal place of business	:	No. 16, 18 & 20, Jalan Pekaka 8/3, Seksyen 8, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 22 April 2021.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of providing management services. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to MFRS 3: Definition of a Business
Amendments to MFRS 4: Extension of the Temporary Exemption from Applying MFRS 9
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
Amendment to MFRS 16: Covid-19 - Related Rent Concessions
Amendments to MFRS 101 and MFRS 108: Definition of Material
Amendments to References to the Conceptual Framework in MFRS Standards

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

- 3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform - Phase 2	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Malaysia and markets in which the Group operates. While the Group has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Group remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Group's assets and liabilities at the reporting date.

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(a) Impairment of Investment in Subsidiaries and Investment Properties

The Group determines whether an item of its investment in subsidiaries and investment properties are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of investment in subsidiaries and investment properties as at the reporting date are disclosed in Notes 5 and 8 to the financial statements.

(b) Impairment of Trade Receivables and Contract Assets

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 10 and 11 to the financial statements.

(c) Revenue Recognition for Construction Contracts

The Company recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 11 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

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. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. 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.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Critical Judgements Made in Applying Accounting Policies (Cont'd)***(b) Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(c) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the directors are of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group and the Company are remote.

(d) Share Based Payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date at which they are granted. The estimating of the fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option volatility and dividend yield and making assumptions about them.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.3 FUNCTIONAL AND PRESENTATION CURRENCY**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequent measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.4 FINANCIAL INSTRUMENTS (CONT'D)****(b) Financial Liabilities (Cont'd)****(ii) Other Financial Liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derecognition

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 when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition (Cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries including the share options granted to employees of the subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 INVESTMENT IN AN ASSOCIATE

An associate is an entity in which the Group and the Company have a long-term equity interest and where it exercises significant influence over the financial and operating policies.

Investment in an associate is stated at cost in the statement of financial position of the Company, and is reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying value may not be recoverable. The cost of the investment includes transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENT IN AN ASSOCIATE (CONT'D)

The investment in an associate is accounted for in the consolidated financial statements using the equity method based on the financial statements of the associate made up to 31 December 2020. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the consolidated statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the consolidated statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transaction costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial asset in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

4.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment, are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the Company, and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Depreciation on property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Owned Assets

Buildings	2%
Plant and machinery	12%
Site equipment	10% - 20%
Office equipment	10% - 20%
Motor vehicles	12%
Renovation	20%
Furniture and fittings	15% - 20%

Right-of-use Assets

Leasehold land	Over the lease period of 86 to 95 years
Plant and machinery	12%
Motor vehicles	12%
Office building	33%
Leased land	52%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as changes in estimate.

Capital work-in-progress included in property is not depreciated as this asset is not yet available for use.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are as follows:-

Buildings	2%
Leasehold land	Over the lease period of 86 to 93 years

Freehold land is stated at cost less impairment loss, if any, and is not depreciated.

Investment properties under construction are not depreciated as these assets are not yet available for use.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

4.9 LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The Group presents right-of-use assets in property, plant and equipment, and investment properties, and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 LEASES (CONT'D)

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment, and investment properties.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount has been reduced to zero.

4.10 CONTRACT ASSET AND CONTRACT LIABILITY

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance with MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.12 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets, as well as on financial guarantee contracts.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**4.12 IMPAIRMENT (CONT'D)****(a) Impairment of Financial Assets (Cont'd)**

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4.13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the construction costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the construction costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Share-based Payment Transactions

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments of the Company (known as "share options").

At grant date, the fair value of the share options is recognised as an expense on a straight-line method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding credit to employee share option reserve in equity. The amount recognised as an expense is adjusted to reflect the actual number of the share options that are expected to vest. Service and non-market performance conditions attached to the transaction are not taken into account in determining the fair value.

In the Company's separate financial statements, the grant of the share options to the subsidiaries' employees is not recognised as an expense. Instead, the fair value of the share options measured at the grant date is accounted for as an increase to the investment in subsidiary undertaking with a corresponding credit to the employee share option reserve.

Upon expiry of the share option, the employee share option reserve is transferred to retained profits.

When the share options are exercised, the employee share option reserve is transferred to share capital if new ordinary shares are issued.

4.15 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.15 INCOME TAXES (CONT'D)

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4.17 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

4.19 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

4.20 FAIR VALUE MEASUREMENTS

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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement 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. However, this basis does not apply to share-based payment transactions and leasing transactions.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1 : Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2 : Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 : Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

(b) Hiring of Machinery

Revenue from providing hiring of machinery services is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

(c) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance.

Revenue from these sales is recognised based on the price specified in the contract and net of returns.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(d) Rendering of Day Work Services

Revenue from providing day work services is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(e) Rental Income from Investment Properties

Rental income from investment properties is accounted for on a straight-line method over the lease term.

(f) Design, Construct and Installation Services

Revenue from design, construct and installation services is recognised over time in the period in which the services are rendered using the input method, determined based on the proportion of costs incurred for work performed to date over the estimated total costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that is highly probable that a significant reversal will not occur.

A receivable is recognised when the services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(g) Sale of Electricity Generated from Renewable Energy

Revenue from sale of electricity generated from renewable energy is recognised over time as the customers simultaneously received and consumed the benefits provided by the Company's performance.

The revenue recognised is the amount to which the Company has a right to invoice as it corresponds directly with the value to the customer of the Company's performance that is completed to date.

This revenue also includes an estimated value of the electricity delivered from the date of their last meter reading and period end.

4.22 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

Dividend income from short-term investment is recognised on an accrual basis using the effective interest method.

(c) Management Fee

Management fee from providing managing services is recognised in the period in which the services are rendered.

(d) Rental income

Rental income is recognised on an accrual basis.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2020 RM	2019 RM
Unquoted shares, at cost	11,277,997	11,277,997
Share options granted to employees of subsidiaries	1,586,300	1,586,300
	12,864,297	12,864,297

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital Held by Parent		Principal Activities
		2020 %	2019 %	
Advancecon Infra Sdn. Bhd.	Malaysia	100	100	Providing earthworks and civil engineering services and sales of construction materials.
Advancecon Solar Sdn. Bhd.	Malaysia	100	100	Carry on development and/or operation of power generation from renewable energy, solar and other renewable energy projects.
Advancecon Machinery Sdn. Bhd.	Malaysia	100	100	Providing earth-moving machineries for hire and transportation agent.
Advancecon Properties Sdn. Bhd.	Malaysia	100	100	Property investment.
^ SK-II Tipper & Truck Services Sdn. Bhd.	Malaysia	100	100	In the process of Member's Voluntary Winding Up.
^ Inspirasi Hebat Sdn. Bhd.	Malaysia	100	100	In the process of Member's Voluntary Winding Up.

^ In the previous financial year, Special Resolutions were passed by the shareholders of Inspirasi Hebat Sdn. Bhd. and SK-II Tipper Truck Services Sdn. Bhd., respectively to initiate the process of Member's Voluntary Winding Up and accordingly, liquidators have been appointed. As a result, the Group has accounted these investments as deemed disposal and has deconsolidated the results of these subsidiaries from the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The financial effects arising from this deemed disposal are summarised below:-

	The Group 2019 RM
Other receivables, deposits and prepayments	3
Current tax assets	1,600
Cash and bank balances	194,225
Other payables and accruals	(14,636)
Amount owing to holding company	(8,092)
Amount owing to a related company	(8,775)
Carrying amount of net assets disposed of	164,325
Loss on deemed disposal of subsidiaries	(161,331)
Transfer to other investment [#]	(2,994)
	-
Proceeds from deemed disposals	##
Less: Cash and bank balances of subsidiaries disposed of	(194,225)
Add: Repayment from subsidiaries	16,867
	(177,358)

[#] This represent the initial cost of investments which is now, classified as other investment, pending the completion of the Member's Voluntary Winding Up.

^{##} The proceeds will only made known upon the winding up process is completed, which is expected to complete during the financial year 2021.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

6. INVESTMENT IN AN ASSOCIATE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unquoted share, at cost	225,000	225,000	225,000	225,000
Share of post acquisition loss	(225,000)	(57,818)	-	-
	-	167,182	225,000	225,000

The details of the subsidiaries are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest		Principal Activities
		2020 %	2019 %	
Advancecon (Sarawak) Sdn. Bhd.	Malaysia	30	30	Providing earthworks, civil engineering services and other related services.

Summarised financial information has not been presented as the associate is not material to the Group.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT

The Group	At 1.1.2020 RM	Additions RM	Reclassifications RM	Transfer to Finance Lease Receivables RM	Disposals RM	Write-offs RM	Depreciation Charges RM	At 31.12.2020 RM
2020								
<i>Carrying Amount</i>								
<u>Owned Assets</u>								
Leasehold land	-	-	-	-	-	-	-	-
Buildings	2,972,708	-	-	-	-	-	(65,319)	2,907,389
Plant and machinery	32,520,205	269,999	9,585	(141,795)	(446,601)	-	(9,951,905)	22,259,488
Site equipment	2,012,276	591,834	-	-	(8,463)	(26,765)	(447,039)	2,121,843
Office equipment	643,540	63,529	-	-	-	(4,469)	(199,963)	502,637
Motor vehicles	1,148,297	12,598	-	-	(3)	(5,131)	(484,274)	671,487
Renovation	774,932	-	-	-	-	-	(193,843)	581,089
Furniture and fittings	570,938	-	-	-	-	-	(124,034)	446,904
Capital work-in-progress	332,208	493,875	(9,585)	-	-	-	-	816,498
<u>Right-of-use Assets</u>								
Leasehold land	16,621,198	-	-	-	-	-	(196,131)	16,425,067
Plant and machinery	73,686,076	4,749,000	-	-	(158,400)	-	(12,254,217)	66,022,459
Motor vehicles	8,838,394	920,828	-	-	(43,325)	(211,867)	(1,634,576)	7,869,454
Office building	188,238	-	-	-	-	-	(70,588)	117,650
Leased land	35,821	-	-	-	-	-	(35,821)	-
	140,344,831	7,101,663	-	(141,795)	(656,792)	(248,232)	(25,657,710)	120,741,965

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

<-----1.1.2019----->										
The Group	As Previously Reported RM	Initial Application of MFRS 16 RM	As Restated RM	Additions RM	Reclassifications RM	Transfer to Finance Lease Receivables RM	Disposals RM	Write- offs RM	Depreciation Charges RM	At 31.12.2019 RM
2019										
<i>Carrying Amount</i>										
<u>Owned Assets</u>										
Leasehold land	16,817,327	(16,817,327)	-	-	-	-	-	-	-	-
Buildings	3,038,027	-	3,038,027	-	-	-	-	-	(65,319)	2,972,708
Plant and machinery	117,550,085	(66,829,563)	50,720,522	114,399	396,617	(3,205,109)	(3,160,251)	(186,000)	(12,159,973)	32,520,205
Site equipment	1,841,682	-	1,841,682	580,136	6,263	-	(1,267)	-	(414,538)	2,012,276
Office equipment	465,838	-	465,838	409,079	-	-	(2,069)	(438)	(228,870)	643,540
Motor vehicles	11,188,479	(9,389,466)	1,799,013	33,480	-	-	(109,013)	(24,478)	(550,705)	1,148,297
Renovation	25,516	-	25,516	815,218	140,000	-	-	-	(205,802)	774,932
Furniture and fittings	41,392	-	41,392	651,435	-	-	-	-	(121,889)	570,938
Capital work-in-progress	228,410	-	228,410	646,678	(542,880)	-	-	-	-	332,208
<u>Right-of-use Assets</u>										
Leasehold land	-	16,817,327	16,817,327	-	-	-	-	-	(196,129)	16,621,198
Plant and machinery	-	66,829,563	66,829,563	17,515,000	-	-	(288,600)	-	(10,369,887)	73,686,076
Motor vehicles	-	9,389,466	9,389,466	1,089,700	-	-	-	(62,189)	(1,578,583)	8,838,394
Office building	-	-	-	211,768	-	-	-	-	(23,530)	188,238
Leased land	-	-	-	74,899	-	-	-	-	(39,078)	35,821
	151,196,756	-	151,196,756	22,141,792	-	(3,205,109)	(3,561,200)	(273,105)	(25,954,303)	140,344,831

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Group			
2020			
<u>Owned Assets</u>			
Buildings	3,265,939	(358,550)	2,907,389
Plant and machinery	89,016,086	(66,756,598)	22,259,488
Site equipment	4,203,316	(2,081,473)	2,121,843
Office equipment	1,765,106	(1,262,469)	502,637
Motor vehicles	4,231,479	(3,559,992)	671,487
Renovation	1,178,200	(597,111)	581,089
Furniture and fittings	737,375	(290,471)	446,904
Capital work-in-progress	816,498	-	816,498
<u>Right-of-use Assets</u>			
Leasehold land	17,031,145	(606,078)	16,425,067
Plant and machinery	103,654,311	(37,631,852)	66,022,459
Motor vehicles	13,945,545	(6,076,091)	7,869,454
Office building	748,548	(630,898)	117,650
Leased land	74,899	(74,899)	-
	240,668,447	(119,926,482)	120,741,965

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Group			
2019			
<u>Owned Assets</u>			
Buildings	3,265,939	(293,231)	2,972,708
Plant and machinery	91,451,496	(58,931,291)	32,520,205
Site equipment	3,671,677	(1,659,401)	2,012,276
Office equipment	1,714,700	(1,071,160)	643,540
Motor vehicles	4,448,405	(3,300,108)	1,148,297
Renovation	1,178,200	(403,268)	774,932
Furniture and fittings	737,375	(166,437)	570,938
Capital work-in-progress	332,208	-	332,208
<u>Right-of-use Assets</u>			
Leasehold land	17,031,145	(409,947)	16,621,198
Plant and machinery	99,125,311	(25,439,235)	73,686,076
Motor vehicles	13,523,204	(4,684,810)	8,838,394
Office building	459,649	(271,411)	188,238
Leased land	74,899	(39,078)	35,821
	237,014,208	(96,669,377)	140,344,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2020 RM	Addition RM	Depreciation Charges RM	At 31.12.2020 RM
The Company				
2020				
<i>Carrying Amount</i>				
<u>Owned Assets</u>				
Buildings	2,972,708	-	(65,319)	2,907,389
Office equipment	119,547	1,600	(24,788)	96,359
Motor vehicles	4	-	-	4
Renovation	765,331	-	(191,443)	573,888
Furniture and fittings	251,032	-	(62,633)	188,399
<u>Right-of-use Assets</u>				
Leasehold land	3,546,423	-	(40,790)	3,505,633
Office building	188,238	-	(70,589)	117,649
	7,843,283	1,600	(455,562)	7,389,321

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

<----- 1.1.2019 ----->									
The Company	As Previously Reported RM	Initial Application of MFRS 16 RM	As Restated RM	Additions RM	Reclassifications RM	Disposals RM	Write-off RM	Depreciation Charges RM	At 31.12.2019 RM
2019									
Carrying Amount									
Owned Assets									
Leasehold land	3,587,212	(3,587,212)	-	-	-	-	-	-	-
Buildings	3,038,027	-	3,038,027	-	-	-	-	(65,319)	2,972,708
Plant and machinery	1,791	-	1,791	-	-	(1)	-	(1,790)	-
Office equipment	67,715	-	67,715	78,000	-	-	(425)	(25,743)	119,547
Motor vehicles	8,914	-	8,914	-	-	-	-	(8,910)	4
Renovation	25,515	-	25,515	803,218	140,000	-	-	(203,402)	765,331
Furniture and fittings	-	-	-	313,165	-	-	-	(62,133)	251,032
Capital work-in-progress	140,000	-	140,000	-	(140,000)	-	-	-	-
Right-of-use Assets									
Leasehold land	-	3,587,212	3,587,212	-	-	-	-	(40,789)	3,546,423
Office building	-	-	-	211,768	-	-	-	(23,530)	188,238
	6,869,174	-	6,869,174	1,406,151	-	(1)	(425)	(431,616)	7,843,283

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
The Company			
2020			
<u>Owned Assets</u>			
Buildings	3,265,939	(358,550)	2,907,389
Plant and machinery	8,000	(8,000)	-
Site equipment	99,199	(99,199)	-
Office equipment	288,338	(191,979)	96,359
Motor vehicles	106,138	(106,134)	4
Renovation	1,042,837	(468,949)	573,888
Furniture and fittings	318,375	(129,976)	188,399
<u>Right-of-use Assets</u>			
Leasehold land	3,684,524	(178,891)	3,505,633
Office building	211,768	(94,119)	117,649
	9,025,118	(1,635,797)	7,389,321
2019			
<u>Owned Assets</u>			
Buildings	3,265,939	(293,231)	2,972,708
Plant and machinery	8,000	(8,000)	-
Site equipment	103,099	(103,099)	-
Office equipment	286,738	(167,191)	119,547
Motor vehicles	106,138	(106,134)	4
Renovation	1,042,837	(277,506)	765,331
Furniture and fittings	318,375	(67,343)	251,032
<u>Right-of-use Assets</u>			
Leasehold land	3,684,524	(138,101)	3,546,423
Office building	211,768	(23,530)	188,238
	9,027,418	(1,184,135)	7,843,283

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

7. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) Capital work-in-progress represents assets under construction which are not ready for commercial use at the end of the reporting period.
- (b) The carrying amounts of the following property, plant and equipment of the Group and of the Company which have been pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Notes 23 and 27 to the financial statements are as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Buildings	2,907,389	2,972,708	2,907,389	2,972,708
Leasehold land	16,425,067	16,621,198	3,505,633	3,546,423
	19,332,456	19,593,906	6,413,022	6,519,131

- (c) The Group leases certain assets of which the leasing activities are summarised below:-
- (i) Leasehold land
The Group has entered into 4 non-cancellable operating lease agreements for the use of land. The leases are for periods between 86 to 95 years with no renewal or purchase option included in the agreements. The leases do not allow the Group to assign, transfer or sublease or create any charge, lien or trust in respect of or dispose of the whole or any part of the land. A tenancy is, however, allowed with the consent of the lessor.
- (ii) Leased land
The Group has leased a piece of vacant land as a workshop for 2 years, with an option to renew the lease after that date. The Group is allowed to sublease the land with the consent of the lessor.
- (iii) Office building
The Group has leased an office building for 3 years, with an option to renew the lease after that date. The Group is allowed to sublease the office building.
- (iv) Plant and machineries and motor vehicles
The Group has leased certain plant and machineries and motor vehicles under hire purchase arrangements. At the end of the lease term, the Group has the option to purchase the asset at an insignificant amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

8. INVESTMENT PROPERTIES

	The Group	
	2020 RM	2019 RM
Cost:-		
At 1 January	40,802,239	40,790,739
Addition during the financial year	5,397,270	11,500
At 31 December	46,199,509	40,802,239
Accumulated depreciation:-		
At 1 January	(2,140,637)	(1,568,631)
Depreciation during the financial year	(575,833)	(572,006)
At 31 December	(2,716,470)	(2,140,637)
Net carrying value	43,483,039	38,661,602
Represented by:		
Completed investment properties:-		
Leasehold land	6,152,557	6,228,907
Freehold land	1,926,680	1,926,680
Buildings	31,335,712	30,506,015
	39,414,949	38,661,602
Investment properties under construction:-		
Buildings	4,068,090	-
	43,483,039	38,661,602

- (a) The investment properties of the Group are leased to customers under operating leases with rentals payable monthly. The leases contain initial non-cancellable periods ranging from 1 to 3 years and an option that is exercisable by the customers to extend their leases for an average of 2 years.

As of the reporting date, the undiscounted operating lease payments receivable are as follows:-

	2020 RM	2019 RM
Within 1 year	169,500	258,300
Between 1 and 2 years	36,000	136,800
Later than 2 years	27,000	6,753
	232,500	401,853

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

8. INVESTMENT PROPERTIES (CONT'D)

- (b) Investment properties of the Group with a total carrying value of RM37,426,000 (2019 - RM37,947,677) have been pledged to licensed banks for banking facilities granted to the Group as disclosed in Notes 23 and 27 to the financial statements.
- (c) The fair values of the completed investment properties of the Group as at the reporting date are estimated at RM 44,489,336 (2019 - RM43,168,536) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

The fair value of the investment properties under construction could not be reliably determined until either its fair value become reliably determinable or construction is completed, whichever is earlier.

9. FINANCE LEASE RECEIVABLES

	The Group	
	2020 RM	2019 RM
Gross receivables from finance leases:		
- not later than 1 year	2,421,120	2,421,120
- later than 1 year and not later than 5 years	1,867,943	4,271,999
	4,289,063	6,693,119
Less: Unearned future finance income	(383,573)	(942,236)
Net investment in finance leases	3,905,490	5,750,883
Analysed by:-		
Current assets	2,114,930	1,869,686
Non-current assets	1,790,560	3,881,197
	3,905,490	5,750,883

- (a) The Group entered into finance lease arrangements for certain of its earth-moving heavy equipment. All leases are denominated in RM. The average terms of finance leases entered into are ranging from 3 to 5 (2019 - 3 to 5) years.
- (b) The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rates contracted range from 4.55% to 18.27% (2019 - 4.55% to 18.27%).
- (c) The finance lease receivables at the end of the reporting period are neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

10. TRADE RECEIVABLES

	The Group	
	2020 RM	2019 RM
Trade receivables	67,116,170	63,977,008
Allowance for impairment losses	(443,050)	(443,050)
	66,673,120	63,533,958
Allowance for impairment losses:-		
At 1 January	443,050	453,318
Written off during the financial year	-	(10,268)
At 31 December	443,050	443,050

The Group's normal trade credit terms range from 5 to 60 (2019 - 5 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

11. CONTRACT ASSETS/(LIABILITIES)

	The Group	
	2020 RM	2019 RM
Contract assets:-		
Contract assets relating to construction contracts	106,056,723	98,904,425
Contract liabilities:-		
Contract liabilities relating to construction contracts	(16,670,776)	(11,196,440)

- (a) The contract assets primarily relate to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date. The amount will be invoiced within 1 month to 2 years (2019 - 1 to 2 ½ years).

Included in contract assets are retention sum receivables totalling RM31,349,655 (2019 - RM36,249,842). The retention sums are expected to be collected within the periods ranging from 1 to 4 (2019 - 1 to 4) years.

- (b) The contract liabilities primarily relate to advance considerations received from few customers for construction services of which the revenue will be recognised over the remaining contract term of specific contract it relates to, ranging from 1 to 14 (2019 - 2 to 18) months.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

11. CONTRACT ASSETS/(LIABILITIES) (CONT'D)

(c) The changes to contract assets and contract liabilities balances during the financial year are summarised below:-

	The Group	
	2020 RM	2019 RM
At 1 January	87,707,985	58,418,842
Revenue recognised in profit or loss during the financial year	236,707,097	276,527,129
Billings to customers during the financial year	(236,300,218)	(261,400,005)
Movement in accrual income	6,171,270	18,997,474
Movement in retention sum	(4,900,187)	(4,835,455)
At 31 December	89,385,947	87,707,985
Represented by:-		
Contract assets	106,056,723	98,904,425
Contract liabilities	(16,670,776)	(11,196,440)
	89,385,947	87,707,985

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other receivables	3,435,966	3,024,901	1,076	1,812
Deposits	2,595,490	2,831,411	46,020	46,020
Prepayments	2,557,287	2,880,216	11,706	12,710
Goods and services tax recoverable	790,470	1,418,914	120	13,363
	9,379,213	10,155,442	58,922	73,905

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

	The Company	
	2020 RM	2019 RM
Amount owing by:-		
Trade balances	238	238
Non-trade balances	74,650,709	80,000,814
	74,650,947	80,001,052
Amount owing to:-		
Non-trade balances	(26,127)	(114,664)

- (a) The trade balances are subject to a normal trade credit term of 30 (2019 - 30) days.
- (b) The non-trade balances are unsecured, interest-free and repayable on demand.
- (c) The amounts owing are to be settled in cash.

14. AMOUNTS OWING BY/(TO) ASSOCIATE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Amount owing by:-				
Trade balances	932,177	-	-	-
Non-trade balances	9,041	116,426	-	37,876
	941,218	116,426	-	37,876
Amount owing to:-				
Non-trade balances	(98,942)	(205,799)	-	-

- (a) The trade balance is subject to a normal trade credit term of 30 (2019 - 30) days.
- (b) The non-trade balances are unsecured, interest-free and repayable on demand.
- (c) The amounts owing are to be settled in cash.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

15. SHORT-TERM INVESTMENTS

Investments in fixed income trust funds represent investments in highly liquid money market instruments, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

16. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group and of the Company at the end of the reporting period have been pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Notes 23, 27, and 28 to the financial statements.

The effective interest rates of the deposits at the end of the reporting period were as follows:-

	The Group		The Company	
	2020 %	2019 %	2020 %	2019 %
Effective interest rates	1.45 to 3.15	2.70 to 3.50	1.75	3.00

The maturity periods of the deposits were as follows:-

	The Group		The Company	
	2020	2019	2020	2019
Maturity period (days)	30 to 366	30 to 365	366	365

17. SHARE CAPITAL

	The Group / The Company			
	2020 Number of shares	2019 Number of shares	2020 RM	2019 RM
Issued and Fully Paid-Up				
Ordinary shares				
At 1 January	403,928,000	402,079,000	86,584,921	85,752,871
New shares issued under ESOS for cash (Note 19)	1,147,000	1,849,000	516,150	832,050
At 31 December	405,075,000	403,928,000	87,101,071	86,584,921

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

18. TREASURY SHARES

During the financial year, the Company purchased 8,220,300 (2019 – Nil) of its issued ordinary shares from the open market at an average price of RM0.35 (2019 – Nil) per share between the months of March to August 2020. The total consideration paid for the purchases were RM2,910,266 (2019 - Nil) including transaction costs. The ordinary shares purchased are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016.

Of the total 405,075,000 (2019 - 403,928,000) issued and fully paid-up ordinary shares at the end of the reporting period, 9,381,300 (2019 - 1,161,000) ordinary shares are held as treasury shares by the Company. None of the treasury shares were resold or cancelled during the financial year.

19. RESERVES

Employee Share Option Reserve

The employee share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Employee Share Option Scheme of the Company ("ESOS") is governed by the ESOS By-Laws and was approved by shareholders on 18 January 2018. The ESOS is to be in force for a period of 5 years effective from 6 March 2018.

The main features of the ESOS are as follows:-

- (a) Eligible persons are employees and executive directors of the Company and its subsidiary companies which are not dormant, who have been confirmed in service/has served for at least 1 year before the date of the offer.
- (b) Where the executive director or employee is under an employment contract, the contract is for a duration of at least two (2) years and shall have not expired within six (6) months from the date of offer.
- (c) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up share capital of the Company at any one time during the existence of the ESOS.
- (d) The option price shall be determined by the ESOS Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the option, with a discount of not more than 10%.
- (e) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the ESOS.
- (f) All new ordinary shares issued upon exercise of the options granted under the ESOS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allotted and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

19. RESERVES (CONT'D)

Employee Share Option Reserve (Cont'd)

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price	Contractual Life of Options	<-----Number of Options over Ordinary Share----->		
			At 1 January 2020	Exercised	At 31 December 2020
20 September 2018	RM0.35	2 Years	18,151,000	(1,147,000)	17,004,000

No person to whom the share option has been granted above has any right to participate by virtue of the option in any share issue of any other company.

On 20 September 2018, the Company has granted 20,000,000 share options under the ESOS. Subsequent to the financial year, 10,738,000 share options had been exercised by the employees and the remaining shares had expired as at 19 March 2021.

The fair values of the share options granted were estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:-

	Granted on 20.9.2018
Fair value of share options at the grant date (RM)	0.10
Weighted average ordinary share price (RM)	0.38
Exercise price of share option (RM)	0.35
Expected volatility (%)	30.43
Expected life (years)	2
Risk-free rate (%)	3.77
Expected dividend yield (%)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

20. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January	(3,631,876)	(4,748,927)	160,149	160,149
Recognised in profit or loss (Note 31)	(654,355)	1,117,051	-	-
At 31 December	(4,286,231)	(3,631,876)	160,149	160,149

The deferred tax assets/(liabilities) recognised at the end of the reporting period and after appropriate offsetting are as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets:-				
Unused tax losses	171,529	171,529	171,529	171,529
Deferred tax liabilities:-				
Accelerated capital allowances over depreciation	(4,515,368)	(4,031,955)	(11,380)	(11,380)
Others	57,608	228,550	-	-
	(4,286,231)	(3,631,876)	160,149	160,149

21. LONG-TERM BORROWINGS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Term loans (Note 23)	24,693,873	25,493,245	3,688,212	3,887,396

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FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

22. LEASE LIABILITIES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
At 1 January:				
- as previously reported	53,674,448	-	183,404	-
- initial application of MFRS 16	-	61,897,971	-	-
- as restated	53,674,448	61,897,971	183,404	-
Acquisition of new leases	4,147,400	1,782,467	-	211,768
Early adoption: COVID-19-related rent concessions	(1,000)	-	-	-
Reclassification of other payables to lease liabilities	13,625,000	7,354,200	-	-
Interest expense recognised in profit or loss (Note 30)	2,680,120	3,315,357	7,267	3,136
Repayment of principal	(18,335,092)	(17,360,190)	(68,333)	(28,364)
Repayment of interest expense	(2,680,120)	(3,315,357)	(7,267)	(3,136)
At 31 December	53,110,756	53,674,448	115,071	183,404
Analysed by:-				
Current liabilities	20,897,158	18,230,627	71,664	68,333
Non-current liabilities	32,213,598	35,443,821	43,407	115,071
	53,110,756	53,674,448	115,071	183,404

23. TERM LOANS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current liabilities (Note 27)	1,225,147	1,119,713	306,035	330,560
Non-current liabilities (Note 21)	24,693,873	25,493,245	3,688,212	3,887,396
	25,919,020	26,612,958	3,994,247	4,217,956

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

23. TERM LOANS (CONT'D)

Detail of the repayment terms are as follow:-

Term Loan	Monthly Instalment RM	Number of Monthly Instalments	Date of Commencement of Repayment	The Group Amount Outstanding		The Company Amount Outstanding	
				2020 RM	2019 RM	2020 RM	2019 RM
1	10,000	120	November 2012	224,524	344,524	224,524	344,524
2	2,429	300	January 2016	401,560	414,833	-	-
3	1,873	300	January 2016	309,579	319,814	-	-
4	2,283	300	January 2016	377,382	389,856	-	-
5	2,248	300	January 2016	371,066	384,369	-	-
6	28,833	240	July 2017	4,094,835	4,172,135	-	-
7	3,199	168	February 2016	296,475	309,850	-	-
8	6,172	180	February 2017	577,872	591,660	-	-
9	4,662	180	February 2017	436,343	446,757	-	-
10	8,967	240	February 2018	1,299,049	1,319,651	-	-
11	5,147	240	April 2017	724,436	736,498	-	-
12	5,567	240	August 2017	783,447	795,800	-	-
13	9,320	240	July 2018	1,373,880	1,394,645	-	-
14	8,580	240	July 2018	1,265,664	1,284,758	-	-
15	7,600	240	August 2016	1,028,716	1,047,582	-	-
16	2,414	300	January 2018	423,416	435,306	-	-
17	2,703	300	January 2018	474,117	487,430	-	-
18	31,870	180	June 2018	3,769,723	3,873,432	3,769,723	3,873,432
19	36,990	180	December 2018	3,644,565	3,728,563	-	-
20	41,020	180	December 2018	4,042,371	4,135,495	-	-
				25,919,020	26,612,958	3,994,247	4,217,956

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

23. TERM LOANS (CONT'D)

- (a) Term loan 1 is secured by:-
 - (i) a legal charge over a piece of leasehold land and building of the Company; and
 - (ii) the deposit with a licensed bank of the Company.
- (b) Term loans 2, 3, 4 and 5 are secured by:-
 - (i) a facility agreement for loan amounts of RM458,400, RM353,400, RM430,800 and RM434,400 respectively;
 - (ii) a deed of assignment and a power of attorney over 4 units of terrace house of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee of two of the directors of the Company.
- (c) Term loan 6 is secured by:-
 - (i) a facility agreement for the sum of RM4,557,500;
 - (ii) a deed of assignment and a power of attorney over a unit of office of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee of two of the directors of the Company.
- (d) Term loan 7 is secured by:-
 - (i) a facility agreement for the sum of RM396,540;
 - (ii) a deed of assignment and a power of attorney over a serviced apartment of a subsidiary; and
 - (iii) a joint and several guarantee of two of the directors of the Company.
- (e) Term loan 8 is secured by:-
 - (i) a facility agreement for the sum of RM672,000;
 - (ii) a deed of assignment and a power of attorney over a piece of vacant bungalow land of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee of two of the directors of the Company.
- (f) Term loan 9 is secured by:-
 - (i) a facility agreement for the sum of RM507,600;
 - (ii) a deed of assignment and a power of attorney over a piece of vacant bungalow land of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee of two of the directors of the Company.
- (g) Term loan 10 is secured by:-
 - (i) a facility agreement for the sum of RM1,399,400;
 - (ii) a deed of assignment and a power of attorney over a unit of office suite of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee of two of the directors of the Company; and
 - (v) an assignment of rental proceeds over a unit of office suite of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

23. TERM LOANS (CONT'D)

(h) Term loan 11 is secured by:-

- (i) a facility agreement for the sum of RM803,280;
- (ii) a deed of assignment and a power of attorney over a unit of double storey terrace house of a subsidiary;
- (iii) a corporate guarantee of the Company; and
- (iv) a joint and several guarantee of two of the directors of the Company.

(i) Term loan 12 is secured by:-

- (i) a facility agreement for the sum of RM868,800;
- (ii) a deed of assignment and a power of attorney over a unit of double storey semi-detached house of a subsidiary;
- (iii) a corporate guarantee of the Company;
- (iv) a joint and several guarantee of two of the directors of the Company; and
- (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.

(j) Term loan 13 is secured by:-

- (i) a facility agreement for the sum of RM1,453,200;
- (ii) a deed of assignment and power attorney over a unit of double storey semi-detached house of a subsidiary;
- (iii) a corporate guarantee of the Company;
- (iv) a joint and several guarantee of two of the directors of the Company; and
- (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.

(k) Term loan 14 is secured by:-

- (i) a facility agreement for the sum of RM1,338,600;
- (ii) a deed of assignment and power attorney over a unit of double storey semi-detached house of a subsidiary;
- (iii) a corporate guarantee of the Company;
- (iv) a joint and several guarantee of two of the directors of the Company; and
- (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.

(l) Term loan 15 is secured by:-

- (i) a facility agreement for the sum of RM1,175,915;
- (ii) a legal charge over a unit of double storey zero-lot bungalow of a subsidiary;
- (iii) a corporate guarantee of the Company;
- (iv) a joint and several guarantee of two of the directors of the Company; and
- (v) an assignment of rental proceeds created over a unit of double storey zero-lot bungalow of a subsidiary.

(m) Term loans 16 and 17 are secured by:-

- (i) a facility agreement for loan amounts of RM456,600 and RM511,200 respectively;
- (ii) a deed of assignment and a power of attorney over 2 units of serviced apartments of a subsidiary;
- (iii) a corporate guarantee of the Company; and
- (iv) a joint and several guarantee of the directors of the Company.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

23. TERM LOANS (CONT'D)

- (n) Term loan 18 is secured by:-
- (i) a facility agreement for loan amount of RM4,160,000;
 - (ii) a registered open all monies 1st party charge stamped nominally over a piece of leasehold land and building of the Company; and
 - (iii) a basic building debenture over the property.
- (o) Term loan 19 is secured by:-
- (i) a facility agreement for the sum of RM3,877,000;
 - (ii) a corporate guarantee of the Company; and
 - (iii) a registered open all monies 1st party charge stamped nominally over a piece of leasehold land of a subsidiary.
- (p) Term loan 20 is secured by:-
- (i) facility agreement for the sum of RM4,300,000;
 - (ii) a corporate guarantee of the Company; and
 - (iii) a registered open all monies 1st party charge stamped nominally over a piece of leasehold land of a subsidiary.

24. TRADE PAYABLES

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables	43,305,480	36,909,605	-	15,808
Retention sums	11,122,483	11,186,918	-	-
	54,427,963	48,096,523	-	15,808

- (a) The normal trade credit terms granted to the Group and the Company range from 14 to 60 (2019 - 14 to 60) days.
- (b) The retention sums are unsecured, interest-free and expected to be paid within a period of 1 to 4 (2019 - 1 to 4) years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	7,584,257	18,292,065	72,478	182,361
Accruals	3,676,253	7,965,281	265,081	1,448,815
	11,260,510	26,257,346	337,559	1,631,176

Included in other payables of the Group at the end of the reporting period is a total amount of RM645,802 (2019 - RM15,000,000) outstanding on purchase of plant and machineries and RM5,196,600 (2019 - Nil) outstanding on purchase of investment properties.

26. AMOUNT OWING TO A DIRECTOR

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand.

27. SHORT-TERM BORROWINGS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Term loans (Note 23)	1,225,147	1,119,713	306,035	330,560
Bankers' acceptances	19,907,931	14,340,349	-	-
Bank factoring	6,592,975	11,314,280	-	-
Invoice financing	10,241,415	11,748,868	-	-
Revolving credit	13,500,000	9,000,000	-	-
	51,467,468	47,523,210	306,035	330,560

The bankers' acceptances, bank factoring, invoice financing and revolving credit are secured by:-

- the deposits with licensed banks of certain subsidiaries;
- a joint and several guarantee of two of the directors of the Company;
- a corporate guarantee of the Company;
- a legal charge over a few buildings and a piece of leasehold land of a subsidiary;
- a deed of assignment of certain contract proceeds of a subsidiary;
- an assignment of life insurance policy by two of the directors of the Company; and
- subordination of loans and advances of RM30,000,000 of the Company.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

28. BANK OVERDRAFTS

The bank overdrafts are secured by:-

- (a) a legal charge over four buildings of a subsidiary;
- (b) a corporate guarantee of the Company;
- (c) the deposit with a licensed bank of a subsidiary; and
- (d) a deed of assignment of certain contract proceeds of a subsidiary.

29. REVENUE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
<u>Revenue from Contract with Customers</u>				
Contract revenue	234,831,934	276,527,129	-	-
Sale of goods	10,775,993	22,987,623	-	-
Hiring of machinery	1,295,438	1,334,270	-	-
Day work revenue	1,051,992	844,607	-	-
Rental income from investment properties	489,071	642,445	-	-
Cabin living quarters rental	16,076	1,372	-	-
Solar energy	1,875,163	-	-	-
<u>Revenue from Other Sources</u>				
Dividend income	-	-	3,950,000	6,000,000
Management fee	-	-	2,443,516	3,305,393
	250,335,667	302,337,446	6,393,516	9,305,393

- (a) The information on the disaggregation of revenue is presented under "Operating Segments" in Note 38 to the financial statements.
- (b) The transaction price allocated to the remaining performance obligation that is unsatisfied or partially unsatisfied as at the end of the reporting period are summarised below (other than contracts for original periods of one year or lesser):-

	The Group	
	2020 RM	2019 RM
Within 1 year	447,306,022	383,415,539
Between 1 and 3 years	265,778,606	358,559,080
More than 3 years	5,401,201	-
	718,485,829	741,974,619

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

30. PROFIT BEFORE TAXATION

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before taxation is arrived at after charging/ (crediting):-				
Auditors' remuneration:				
- statutory audit	167,000	167,000	40,000	40,000
- non-statutory audit	5,000	5,000	5,000	5,000
Depreciation:				
- investment properties	575,833	572,006	-	-
- property, plant and equipment	25,657,710	25,954,303	455,562	431,616
Direct operating expenses on investment properties:				
- income generating investment properties	151,819	140,203	-	-
- non-income generating investment properties	141,258	155,125	-	-
Directors' remuneration (Note 34(a))	3,633,442	4,943,358	3,158,967	4,283,883
Interest expense:				
- bank factoring	188,072	40,899	-	-
- bank overdrafts	614,186	623,190	19,328	6,691
- bankers' acceptances	554,091	556,604	-	-
- invoice financing	664,251	653,547	-	-
- revolving credit	443,113	228,058	-	-
- term loans	1,238,607	1,662,995	151,543	203,930
- lease liabilities	2,680,120	3,315,357	7,267	3,136
Property, plant and equipment written off	248,232	273,105	-	425
Share of results of an equity accounted associate	167,182	57,788	-	-
Staff costs (including other key management personnel as disclosed in Note 34(b)):				
- salaries, bonuses, allowances and wages	35,701,151	41,691,783	709,235	1,019,410
- defined contribution plan	3,106,624	3,407,516	86,497	123,507
- share option expenses	-	718,527	-	53,307
- other benefits	2,544,683	2,519,070	57,396	63,651
Dividend income from short-term investments	(61,146)	(135,110)	(3,604)	(13,051)

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

30. PROFIT BEFORE TAXATION (CONT'D)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	-	161,131	-	-
Gain on dissolution of subsidiaries	(115,340)	(1,934,379)	(115,340)	(1,934,379)
(Gain)/Loss on disposal of property, plant and equipment	(397,808)	610,230	-	-
Interest income:				
- deposits with licensed banks	(1,114,616)	(1,174,258)	(9,575)	(16,447)
- finance lease receivables	(543,492)	(303,635)	-	-
- others	(1,972)	(11,154)	-	-
Early adoption: COVID-19-related rent concessions	(1,000)	-	-	-

31. INCOME TAX EXPENSE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax:				
- current financial year	3,918,284	6,548,819	-	-
- (over)/under provision in the previous financial year	(27,419)	59,140	-	5,514
Reversal of real property gains tax	-	(35,659)	-	-
	3,890,865	6,572,300	-	5,514
Deferred tax (Note 20):				
- reversal of temporary differences	(751,983)	(2,202,005)	-	-
- underprovision in the previous financial year	1,406,338	1,084,954	-	-
	654,355	(1,117,051)	-	-
	4,545,220	5,455,249	-	5,514

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

31. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before taxation	6,646,265	16,280,429	1,328,927	4,486,024
Tax at the statutory tax rate of 24%	1,595,104	3,907,303	318,942	1,076,646
Tax effects of:-				
Non-deductible expenses	1,671,896	2,772,696	601,025	828,561
Non-taxable income	(189,256)	(2,366,562)	(976,547)	(1,907,388)
Real property gains tax	-	(35,659)	-	-
Deferred tax assets not recognised during the financial year	88,557	33,377	56,580	2,181
Under/(Over)provision in the previous financial year:				
- current tax	(27,419)	59,140	-	5,514
- deferred tax	1,406,338	1,084,954	-	-
Income tax expense for the financial year	4,545,220	5,455,249	-	5,514

The amounts of temporary differences for which no deferred tax asset has been recognised in the statements of financial position are as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Unused tax losses	448,990	127,184	188,570	-
Unabsorbed capital allowances	47,780	600	47,180	-
Accelerated depreciation over capital allowances	900	900	-	-
	497,670	128,684	235,750	-

The unused tax losses are allowed to be utilised for 7 consecutive years of assessment while unabsorbed capital allowances are allowed to be carried forward indefinitely.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

32. DIVIDEND

	The Group / The Company	
	2020 RM	2019 RM
In respect of the financial year ended 31 December 2020:- First interim dividend of 1 sen per ordinary share	3,956,937	-
In respect of the financial year ended 31 December 2019:- First interim dividend of 0.6 sen per ordinary share	-	2,416,602
	3,956,937	2,416,602

33. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment is as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost of property, plant and equipment purchased (Note 7)	7,101,663	22,141,792	1,600	1,406,151
Acquisition of new leases (Note 22)	(4,147,400)	(1,782,467)	-	(211,768)
Other payables	(645,802)	(16,986,976)	-	-
Cash disbursed for purchase of property, plant and equipment	2,308,461	3,372,349	1,600	1,194,383

The cash disbursed for the purchase of investment properties is as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cost of investment properties purchased (Note 8)	5,397,270	11,500	-	-
Amount owing to a director	(192,290)	-	-	-
Other payables	(5,196,600)	-	-	-
Cash disbursed for purchase of investment properties	8,380	11,500	-	-

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Lease Liabilities RM	Term Loans RM	Bankers' Acceptances RM	Invoice Financing RM	Revolving Credit RM	Bank Factoring RM	Total RM
The Group							
2020							
At 1 January:	53,674,448	26,612,958	14,340,349	11,748,868	9,000,000	11,314,280	126,690,903
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	-	-	55,421,119	42,371,240	85,500,000	132,379,559	315,671,918
Early adoption: COVID-19-related rent concessions	(1,000)	-	-	-	-	-	(1,000)
Repayment of principal	(18,335,092)	(693,938)	(49,853,537)	(43,878,693)	(81,000,000)	(137,100,864)	(330,862,124)
Repayment of interests	(2,680,120)	(1,238,607)	(554,091)	(664,251)	(443,113)	(188,072)	(5,768,254)
	(21,016,212)	(1,932,545)	5,013,491	(2,171,704)	4,056,887	(4,909,377)	(20,959,460)
<u>Non-cash Changes</u>							
Acquisition of new leases (Note 33(a))	4,147,400	-	-	-	-	-	4,147,400
Reclassification of other payables to lease liabilities	13,625,000	-	-	-	-	-	13,625,000
Interest expense recognised in profit or loss	2,680,120	1,238,607	554,091	664,251	443,113	188,072	5,768,254
	20,452,520	1,238,607	554,091	664,251	443,113	188,072	23,540,654
At 31 December	53,110,756	25,919,020	19,907,931	10,241,415	13,500,000	6,592,975	129,272,097

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Hire Purchase Payables RM	Lease Liabilities RM	Term Loans RM	Bankers' Acceptances RM	Invoice Financing RM	Revolving Credit RM	Bank Factoring RM	Total RM
The Group								
2019								
At 1 January:								
- as previously reported	61,897,971	-	35,049,749	12,047,000	16,156,348	3,000,000	1,815,805	129,966,873
- initial application of MFRS 16	(61,897,971)	61,897,971	-	-	-	-	-	-
- as restated	-	61,897,971	35,049,749	12,047,000	16,156,348	3,000,000	1,815,805	129,966,873
<u>Changes in Financing Cash Flows</u>								
Proceeds from drawdown	-	-	-	45,196,036	31,042,107	31,500,000	75,913,828	183,651,971
Repayment of principal	-	(17,360,190)	(8,436,791)	(42,902,687)	(35,449,587)	(25,500,000)	(66,415,353)	(196,064,608)
Repayment of interests	-	(3,315,357)	(1,662,995)	(556,604)	(653,547)	(228,058)	(40,899)	(6,457,460)
	-	(20,675,547)	(10,099,786)	1,736,745	(5,061,027)	5,771,942	9,457,576	(18,870,097)
<u>Non-cash Changes</u>								
Acquisition of new leases (Note 33(a))	-	1,782,467	-	-	-	-	-	1,782,467
Reclassification of other payables to lease liabilities	-	7,354,200	-	-	-	-	-	7,354,200
Interest expense recognised in profit or loss	-	3,315,357	1,662,995	556,604	653,547	228,058	40,899	6,457,460
	-	12,452,024	1,662,995	556,604	653,547	228,058	40,899	15,594,127
At 31 December	-	53,674,448	26,612,958	14,340,349	11,748,868	9,000,000	11,314,280	126,690,903

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

33. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

	Amount Owing to Subsidiaries RM	Term Loans RM	Lease Liabilities RM	Total RM
The Company				
2020				
At January	-	4,217,956	183,404	4,401,360
<u>Changes in Financing</u>				
Advances from	23,980,000	-	-	23,980,000
Repayment to	(23,980,000)	-	-	(23,980,000)
Repayment of principal	-	(223,709)	(68,333)	(292,042)
Repayment of interests	-	(151,543)	(7,267)	(158,810)
	-	(375,252)	(75,600)	(450,852)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss	-	151,543	7,267	158,810
At 31 December	-	3,994,247	115,071	4,109,318
2019				
At January	-	4,528,165	-	4,528,165
<u>Changes in Financing</u>				
Advances from	47,245,000	-	-	47,245,000
Repayment to	(47,245,000)	-	-	(47,245,000)
Repayment of principal	-	(310,209)	(28,364)	(338,573)
Repayment of interests	-	(203,930)	(3,136)	(207,066)
	-	(514,139)	(31,500)	(545,639)
<u>Non-cash Changes</u>				
Acquisition of new leases (Note 33(a))	-	-	211,768	211,768
Interest expense recognised in profit or loss	-	203,930	3,136	207,066
At 31 December	-	4,217,956	183,404	4,401,360

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FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

33. CASH FLOW INFORMATION (CONT'D)

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deposits with licensed banks	50,053,145	39,629,498	264,074	256,362
Short-term investments	1,390,666	2,029,521	153,299	149,695
Cash and bank balances	2,232,770	9,165,984	237,034	1,230,607
Bank overdrafts	(3,878,937)	(1,816,094)	-	-
	49,797,644	49,008,909	654,407	1,636,664
Less: Deposits pledged to licensed banks	(50,053,145)	(39,629,498)	(264,074)	(256,362)
	(255,501)	9,379,411	390,333	1,380,302

34. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Company and certain members of senior management of the Group and of the Company.

The key management personnel compensation during the financial year are as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(a) Directors				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- fees	229,400	224,400	229,400	224,400
- salaries, bonuses and other benefits	3,151,501	4,205,823	2,726,524	3,652,723
	3,380,901	4,430,223	2,955,924	3,877,123
Defined contribution plan	252,541	348,160	203,043	281,788
Share option expenses	-	164,975	-	124,972
Total directors' remuneration (Note 30)	3,633,442	4,943,358	3,158,967	4,283,883

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Company were RM77,250 and RM58,821 (2019 - RM85,438 and RM67,940) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

34. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
(b) Other Key Management Personnel				
Short-term employee benefits	1,437,000	1,874,575	360,924	456,924
Share option expenses	-	109,646	-	34,475
Defined contribution plan	168,300	218,496	43,200	54,720
Other benefits	19,369	-	-	-
Total compensation for other key management personnel (Note 30)	1,624,669	2,202,717	404,124	546,119

35. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, associate, key management personnel and entities within the same group of companies.

(b) Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following transactions with the related parties during the financial year:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Entity Related to the Group				
Received or receivable:-				
Contract revenue	3,617,937	5,128,271	-	-
Proceeds from disposal of plant, property and equipment	-	2,070	-	-
Payment on behalf of	308,668	354,064	-	128,246
Advances to	-	100,000	-	100,000

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

35. RELATED PARTY DISCLOSURES (CONT'D)

(b) Related Party Transactions and Balances (Cont'd)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Entity Related to the Group (Cont'd)				
Paid or payable:-				
Investment in an associate	-	224,970	-	224,970
Secondment fees	414,178	322,225	-	-
Payment made by	3,162	6,214	-	-
Subsidiaries				
Received or receivable:-				
Dividend income	-	-	3,950,000	6,000,000
Management fee	-	-	2,443,516	3,305,393
Rental income on premises	-	-	324,000	305,000
Proceeds from disposal of plant, property and equipment	-	-	-	1
Payment on behalf of	-	-	6,967	833,101
Advances to	-	-	9,550,000	19,805,000
Paid or payable:-				
Management fee	-	-	142,566	189,627
Payment made by	-	-	222,689	15,787
Advances from	-	-	23,980,000	47,245,000
Investment in a subsidiary	-	-	-	1,000,000
Director				
Paid and payable:-				
Rental of premises	75,600	70,000	75,600	70,000
Deposit paid by	192,290	-	-	-

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

36. CAPITAL COMMITMENTS

	The Group	
	2020 RM	2019 RM
Purchase of:		
- property, plant and equipment	3,902,076	6,490,493
- investment properties under construction	741,150	-
	4,643,226	6,490,493

37. EARNINGS PER SHARE

	The Group	
	2020	2019
Profit after taxation (RM)	2,101,045	10,825,180
Weighted average number of ordinary shares:-		
Ordinary shares at 1 January	402,767,000	400,918,000
Effect of treasury shares held	-	-
Effect of ordinary shares issued	(3,954,362)	773,655
Weighted average number of ordinary shares in issue	398,812,638	401,691,655
Basic earnings per share (Sen)	0.53	2.69
Weighted average number of ordinary shares for basic earnings per share	398,812,638	401,691,655
Shares deemed to be issued for no consideration:		
- employee share options in issue	1,049,640	2,063,173
Weighted average number of ordinary shares for diluted earnings per share computation	399,862,278	403,754,828
Diluted earnings per ordinary share (Sen)	0.53	2.68

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the Group Chief Executive Officer as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their services provided.

The Group is organised into 3 main reportable segments as follows:-

- (a) Construction and Support Services - involved in earthworks and civil engineering services;
- (b) Property Investments - involved in sales of investment properties for capital gain and rental of investment properties; and
- (c) New Energy - involved in the development and/or operation of power generation from renewable energy, solar and other renewable energy projects.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly current tax assets, current tax liabilities, goods and services tax recoverable, deferred tax assets and deferred tax liabilities.

38.1 BUSINESS SEGMENTS

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2020					
Revenue					
External revenue	247,971,433	489,071	1,875,163	-	250,335,667
Inter-segment revenue	62,705,403	20,800	-	(62,726,203)	-
Consolidated revenue	310,676,836	509,871	1,875,163		250,335,667

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2020					
Represented by:-					
<u>Revenue recognised at a point in time</u>					
Sale of goods	10,775,993	-	-	-	10,775,993
Hiring of machinery	57,965,639	-	-	(56,670,201)	1,295,438
Day work revenue	1,051,992	-	-	-	1,051,992
Cabin living quarters rental	16,076	-	-	-	16,076
<u>Revenue recognised over time</u>					
Contract revenue	234,473,620	-	-	358,314	234,831,934
Rental income from investment properties	-	509,871	-	(20,800)	489,071
Solar energy	-	-	1,875,163	-	1,875,163
<u>Revenue from other sources</u>					
Dividend income	3,950,000	-	-	(3,950,000)	-
Management fee	2,443,516	-	-	(2,443,516)	-
	310,676,836	509,871	1,875,163		250,335,667

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2020					
Results					
Segment results					11,474,661
Interest income					1,660,080
Dividend income from short- term investments					61,146
					13,195,887
Finance costs					(6,382,440)
Share of result of an equity accounted associate					(167,182)
Consolidated profit before taxation					6,646,265
Income tax expense					(4,545,220)
Consolidated profit after taxation					2,101,045
Assets					
Segment assets	465,787,209	43,359,296	1,908,671	(106,985,303)	404,069,873
Deferred tax assets					160,149
Goods and services tax recoverable					790,470
Current tax assets					2,844,701
Consolidated total assets					407,865,193
Liabilities					
Segment liabilities	261,118,278	47,388,771	966,050	(93,671,584)	215,801,515
Deferred tax liabilities					4,446,380
Current tax liabilities					56,586
Consolidated total liabilities					220,304,481

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2020					
Other segment items :					
Capital expenditure:					
- investment properties	1,320,800	4,076,470	-	-	5,397,270
- property, plant and equipment	7,091,113	-	10,550	-	7,101,663
Depreciation:					
- investment properties	2,201	573,632	-	-	575,833
- property, plant and equipment	25,946,221	-	388	(288,899)	25,657,710
Direct operating expenses on investment properties:					
- income generating investment properties	-	151,819	-	-	151,819
- non-income generating investment properties	-	141,258	-	-	141,258
Interest expense:					
- lease liabilities	2,731,127	-	-	(51,007)	2,680,120
- others	3,154,764	547,556	-	-	3,702,320
Property, plant and equipment written off	248,232	-	-	-	248,232
Gain on dissolution of subsidiaries	(115,340)	-	-	-	(115,340)
Gain on disposal of property, plant and equipment	(397,808)	-	-	-	(397,808)
Share of results of an equity accounted associate	-	-	-	167,182	167,182
Interest income:					
- deposits with licensed banks	(1,114,616)	-	-	-	(1,114,616)
- finance lease receivables	(543,492)	-	-	-	(543,492)
- others	(1,969)	(3)	-	-	(1,972)
Dividend income from short-term investments	(48,891)	-	(12,255)	-	(61,146)

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2019					
Revenue					
External revenue	301,695,001	642,445	-	-	302,337,446
Inter-segment revenue	75,751,235	1,600	-	(75,752,835)	-
Consolidated revenue	377,446,236	644,045	-		302,337,446
Represented by:-					
<u>Revenue recognised at a point in time</u>					
Sale of goods	22,987,623	-		-	22,987,623
Hiring of machinery	67,765,742	-		(66,431,472)	1,334,270
Day work revenue	844,607	-		-	844,607
Cabin living quarters rental	1,372	-		-	1,372
<u>Revenue recognised over time</u>					
Contract revenue	276,541,499	-		(14,370)	276,527,129
Rental income from investment properties	-	644,045		(1,600)	642,445
<u>Revenue from other sources</u>					
Dividend income	6,000,000	-		(6,000,000)	-
Management fee	3,305,393	-		(3,305,393)	-
	377,446,236	644,045			302,337,446

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2019					
Results					
Segment results					21,794,710
Interest income					1,489,047
Dividend income from short-term investments					135,110
					<u>23,418,867</u>
Finance costs					(7,080,650)
Share of result of an equity accounted associate					(57,788)
					<u>16,280,429</u>
Consolidated profit before taxation					16,280,429
Income tax expense					(5,455,249)
					<u>10,825,180</u>
Assets					
Segment assets	477,595,267	42,831,174	870,671	(114,253,280)	407,043,832
Deferred tax assets					160,149
Goods and services tax recoverable					1,418,914
Current tax assets					1,357,655
					<u>409,980,550</u>
Liabilities					
Segment liabilities	269,182,225	45,790,603	22,800	(100,732,523)	214,263,105
Deferred tax liabilities					3,792,025
					<u>218,055,130</u>

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
The Group					
31 December 2019					
Other segment items:					
Capital expenditure:					
- investment properties	-	11,500	-	-	11,500
- property, plant and equipment	23,586,282	-	-	(1,444,490)	22,141,792
Depreciation:					
- investment properties	-	572,006	-	-	572,006
- property, plant and equipment	26,202,184	-	-	(247,881)	25,954,303
Direct operating expenses on investment properties:					
- income generating investment properties	-	140,203	-	-	140,203
- non-income generating investment properties	-	155,125	-	-	155,125
Interest expense:					
- lease liabilities	3,369,253	-	-	(53,896)	3,315,357
- others	3,012,513	752,780	-	-	3,765,293
Property, plant and equipment written off	273,105	-	-	-	273,105
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	-	-	-	161,331	161,331
Gain on dissolution of subsidiaries	(1,934,379)	-	-	-	(1,934,379)
Loss on disposal of property, plant and equipment	610,230	-	-	-	610,230
Share of results of an equity accounted associate	-	-	-	57,788	57,788
Share option expenses	883,502	-	-	-	883,502
Interest income:					
- deposits with licensed banks	(1,174,258)	-	-	-	(1,174,258)
- finance lease receivables	(303,635)	-	-	-	(303,635)
- others	(7,275)	(3,879)	-	-	(11,154)
Dividend income from short-term investments	(126,781)	-	(8,329)	-	(135,110)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.2 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

The Group	Revenue RM	Segment
2020		
Customer A	121,080,229	Construction and Support Services
Customer B	41,433,116	Construction and Support Services
Customer C	24,350,478	Construction and Support Services
2019		
Customer A	95,803,886	Construction and Support Services
Customer B	55,353,183	Construction and Support Services
Customer C	31,281,851	Construction and Support Services

39. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

39.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined by MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is summarised as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Floating Rate Instruments				
<u>Financial Liabilities</u>				
Term loans	25,919,020	26,612,958	3,994,247	4,217,956
Bankers' acceptances	19,907,931	14,340,349	-	-
Bank factoring	6,592,975	11,314,280	-	-
Invoice financing	10,241,415	11,748,868	-	-
Revolving credit	13,500,000	9,000,000	-	-
Bank overdrafts	3,878,937	1,816,094	-	-
	80,040,278	74,832,549	3,994,247	4,217,956

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Effects on Profit After Taxation				
Increase of 100 basis points	(608,306)	(568,727)	(30,356)	(32,056)
Decrease of 100 basis points	608,306	568,727	30,356	32,056

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by a customer which constituted approximately 46% of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and the Company after deducting any allowance for impairment losses (where applicable).

In addition, the Company's maximum exposure to credit risk also includes corporate guarantees provided to its subsidiaries as disclosed under the 'Maturity Analysis' of item (c) below, representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period. These corporate guarantees have not been recognised in the Company's financial statements since their fair value on initial recognition were not material.

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables and Contract Assets

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contract. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments an external credit rating, where applicable.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than a year overdue are deemed credit impaired and assess for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over certain period from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

For construction contracts and services rendered for the other contracts with customers, the Group assessed the expected credit loss of each customer individually based on their financial information and past trends of payments as there are only a few customers. All of these customers have low risk of default as they have a strong capacity to meet their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract assets are summarised below:-

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2020				
<u>Trade receivables</u>				
Current (not past due)	39,934,847	-	(14,034)	39,920,813
Past due:				
- less than 2 months	18,293,949	-	(15,104)	18,278,845
- 2 to 4 months	972,077	-	(2,153)	969,924
- over 4 months	5,663,402	-	(80,003)	5,583,399
- more than 1 year	2,049,454	-	(129,315)	1,920,139
Credit impaired	202,441	(202,441)	-	-
Trade receivables	67,116,170	(202,441)	(240,609)	66,673,120
Contract assets	106,056,723	-	-	106,056,723
	173,172,893	(202,441)	(240,609)	172,729,843

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables and Contract Assets (Cont'd)

The Group	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
2019				
<u>Trade receivables</u>				
Current (not past due)	45,880,252	-	(121,089)	45,759,163
Past due:				
- less than 2 months	10,578,383	-	(39,236)	10,539,147
- 2 to 4 months	4,533,462	-	(26,697)	4,506,765
- over 4 months	816,539	-	(21,881)	794,658
- more than 1 year	1,965,931	-	(31,706)	1,934,225
Credit impaired	202,441	(202,441)	-	-
Trade receivables	63,977,008	(202,441)	(240,609)	63,533,958
Contract assets	98,904,425	-	-	98,904,425
	162,881,433	(202,441)	(240,609)	162,438,383

The movements in the loss allowances in respect of trade receivables is disclosed in Note 10 to the financial statements.

Finance Lease Receivables, Other Receivables and Amount Owing By An Associate

Finance lease receivables, other receivables and amount owing by an associate are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)**39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)***Amount Owning By Subsidiaries*

The Company applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The identified impairment loss was immaterial and hence, is not provided for.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

The Group	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2020						
<u>Non-derivative Financial Liabilities</u>						
Trade payables		54,427,963	54,427,963	54,427,963	-	-
Other payables and accruals		11,260,510	11,260,510	11,260,510	-	-
Amount owing to an associate		98,942	98,942	98,942	-	-
Amount owing to a director		192,290	192,290	192,290	-	-
Lease liabilities	3.67 - 8.45	53,110,756	57,356,960	23,164,310	34,192,650	-
Term loans	3.22 - 6.47	25,919,020	35,153,896	2,671,430	10,276,336	22,206,130
Bankers' acceptances	2.86 - 3.85	19,907,931	19,907,931	19,907,931	-	-
Bank factoring	6.32 - 6.42	6,592,975	6,592,975	6,592,975	-	-
Invoice financing	3.50 - 6.42	10,241,415	10,241,415	10,241,415	-	-
Revolving credit	3.35 - 4.38	13,500,000	13,500,000	13,500,000	-	-
Bank overdrafts	6.42 - 6.49	3,878,937	3,878,937	3,878,937	-	-
		199,130,739	212,611,819	145,936,703	44,468,986	22,206,130

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Group	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2019						
<u>Non-derivative Financial Liabilities</u>						
Trade payables		48,096,523	48,096,523	48,096,523	-	-
Other payables and accruals		26,257,346	26,257,346	26,257,346	-	-
Amount owing to an associate		205,799	205,799	205,799	-	-
Lease liabilities	3.67 - 12.05	53,674,448	58,159,554	20,651,147	37,508,407	-
Term loans	4.49 - 7.72	26,612,958	39,816,730	2,688,900	10,454,382	26,673,448
Bankers' acceptances	4.56 - 5.11	14,340,349	14,340,349	14,340,349	-	-
Bank factoring	7.57 - 7.67	11,314,280	11,314,280	11,314,280	-	-
Invoice financing	4.98 - 7.67	11,748,868	11,748,868	11,748,868	-	-
Revolving credit	4.67 - 5.83	9,000,000	9,000,000	9,000,000	-	-
Bank overdrafts	7.74	1,816,094	1,816,094	1,816,094	-	-
		203,066,665	220,755,543	146,119,306	47,962,789	26,673,448

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The Company	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
2020						
<u>Non-derivative Financial Liabilities</u>						
Other payables and accruals	-	337,559	337,559	337,559	-	-
Amount owing to subsidiaries	-	26,127	26,127	26,127	-	-
Lease liabilities	4.77	115,071	119,700	75,600	44,100	-
Term loans	3.27 - 3.47	3,994,247	4,901,306	508,275	1,636,000	2,757,031
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	-	124,927,758	124,927,758	-	-
		4,473,004	130,312,450	125,875,319	1,680,100	2,757,031
2019						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	15,808	15,808	15,808	-	-
Other payables and accruals	-	1,631,176	1,631,176	1,631,176	-	-
Amount owing to subsidiaries	-	114,664	114,664	114,664	-	-
Lease liabilities	4.77	183,404	195,300	75,600	119,700	-
Term loans	4.52 - 4.86	4,217,956	5,586,622	516,556	1,765,006	3,305,080
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	-	118,403,142	118,403,142	-	-
		6,163,008	125,946,712	120,756,946	1,884,706	3,305,080

* The contractual undiscounted cash flows represent the outstanding credit facilities of the subsidiaries at the end of the reporting period. The financial guarantees have not been recognised in the financial statements since their fair value on initial recognition were not material.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholder(s) value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting year was as follows:-

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Lease liabilities	53,110,756	53,674,448	115,071	183,404
Term loans	25,919,020	26,612,958	3,994,247	4,217,956
Bankers' acceptances	19,907,931	14,340,349	-	-
Bank factoring	6,592,975	11,314,280	-	-
Invoice financing	10,241,415	11,748,868	-	-
Revolving credit	13,500,000	9,000,000	-	-
Bank overdrafts	3,878,937	1,816,094	-	-
	133,151,034	128,506,997	4,109,318	4,401,360
Less:				
- Deposits with licensed banks	(50,053,145)	(39,629,498)	(264,074)	(256,362)
- Short-term investments	(1,390,666)	(2,029,521)	(153,299)	(149,695)
- Cash and bank balances	(2,232,770)	(9,165,984)	(237,034)	(1,230,607)
Net debt of cash and cash equivalents	79,474,453	77,681,994	3,454,911	2,764,696
Total equity	187,560,712	191,925,420	91,558,257	96,695,083
Debt-to-equity ratio	0.42	0.40	0.04	0.03

There was no change in the Group's approach to capital management during the financial year.

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Short-term investments	1,390,666	2,029,521	153,299	149,695
<u>Amortised Cost</u>				
Finance lease receivables	3,905,490	5,750,883	-	-
Trade receivables	66,673,120	63,533,958	-	-
Other receivables	3,435,966	3,024,901	1,076	1,812
Amount owing by subsidiaries	-	-	74,650,947	80,001,052
Amount owing by an associate	941,218	116,426	-	37,876
Deposits with licensed banks	50,053,145	39,629,498	264,074	256,362
Cash and bank balances	2,232,770	9,165,984	237,034	1,230,607
	127,241,709	121,221,650	75,153,131	81,527,709
Financial Liabilities				
<u>Amortised Cost</u>				
Trade payables	54,427,963	48,096,523	-	15,808
Other payables and accruals	11,260,510	26,257,346	337,559	1,631,176
Amount owing by subsidiaries	-	-	26,127	114,664
Amount owing to an associate	98,942	205,799	-	-
Amount owing to a director	192,290	-	-	-
Lease liabilities	53,110,756	53,674,448	115,071	183,404
Term loans	25,919,020	26,612,958	3,994,247	4,217,956
Bankers' acceptances	19,907,931	14,340,349	-	-
Bank factoring	6,592,975	11,314,280	-	-
Invoice financing	10,241,415	11,748,868	-	-
Revolving credit	13,500,000	9,000,000	-	-
Bank overdrafts	3,878,937	1,816,094	-	-
	199,130,739	203,066,665	4,473,004	6,163,008

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial Assets				
<u>Fair Value Through Profit or Loss</u>				
Net gains recognised in profit or loss	61,146	135,110	3,604	13,051
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	1,660,080	1,489,047	9,575	16,447
Financial Liabilities				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(6,382,440)	(7,080,650)	(178,138)	(213,757)

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

The Group	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
2020								
<u>Financial Assets</u>								
Finance lease receivables	-	-	-	-	4,101,068	-	4,101,068	3,905,490
Short-term investments	1,390,666	-	-	-	-	-	1,390,666	1,390,666
<u>Financial Liability</u>								
Term loans	-	-	-	-	25,919,020	-	25,919,020	25,919,020
2019								
<u>Financial Assets</u>								
Finance lease receivables	-	-	-	-	6,180,690	-	6,180,690	5,750,883
Short-term investments	2,029,521	-	-	-	-	-	2,029,521	2,029,521
<u>Financial Liability</u>								
Term loans	-	-	-	-	26,612,958	-	26,612,958	26,612,958

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION (CONT'D)

The Company	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
2020								
<u>Financial Assets</u>								
Short-term investments	153,299	-	-	-	-	-	153,299	153,299
<u>Financial Liability</u>								
Term loans	-	-	-	-	3,994,247	-	3,994,247	3,994,247
2019								
<u>Financial Assets</u>								
Short-term investments	149,695	-	-	-	-	-	149,695	149,695
<u>Financial Liability</u>								
Term loans	-	-	-	-	4,217,956	-	4,217,956	4,217,956

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONT'D)

39. FINANCIAL INSTRUMENTS (CONT'D)

39.5 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair values of the Group's and the Company's money market fund are determined based on the fund managers' statements at the reporting date.
- (ii) There were no transfers between level 1 and level 2 during the financial year.

(b) Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair values of the Group and the Company's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair values of the Group's and the Company's finance lease receivables that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	The Group	
	2020 %	2019 %
Finance lease receivables	6.20 to 6.26	6.20 to 6.26

40. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as global pandemic. Following the declaration, the Government of Malaysia has on 18 March 2020 imposed the Movement Control Order ("MCO") and subsequently entered into various phases of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

The management has assessed the impact on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.

LIST OF PROPERTIES

No	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (Sf)	Approximate age of building (Years)	Tenure/ Date of expiry of the Lease	Audited Net Book Value as at 31.12.2020 RM	Date of acquisition
1.	H.S (M) 23117, P.T.NO. 831, Tempat Kota Puteri, Seksyen 6, Bandar Batu Arang, Daerah Gombak, Negeri Selangor Darul Ehsan Lot 23, Jalan Kota Puteri 6, Kawasan Industri Seksyen 6, Kota Puteri, Banda Batu Arang, Daerah Gombak.	A parcel of leasehold industrial land	Land area: 241,391 Built up area: Not applicable	Not applicable	Leasehold (99 years)/ 4 February 2104	7,477,247	12 April 2018
2.	H.S.(D) 173541, P.T.No.32213, Pekan Baru Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan No. 8, Jalan PJU 3/16D Tropicana Indah 47410 Petaling Jaya Selangor Darul Ehsan	A parcel of leasehold residential land	Land area: 21,269 Built up area: Not applicable	Not applicable	Leasehold (99 years)/ 27 May 2101	6,152,557	29 July 2015
3.	H.S (M) 23116, P.T.No. 830, Tempat Kota Puteri, Seksyen 6, Bandar Batu Arang, Daerah Gombak, Negeri Selangor Darul Ehsan Lot 21, Jalan Kota Puteri 6, Kawasan Industri Seksyen 6, Kota Puteri, Banda Batu Arang, Daerah Gombak.	A parcel of leasehold Industrial land	Land area: 217,679 Built up area: Not applicable	Not applicable	Leasehold (99 years)/ 4 February 2104	6,127,085	12 April 2018

LIST OF
PROPERTIES (CONT'D)

No	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (Sf)	Approximate age of building (Years)	Tenure/ Date of expiry of the Lease	Audited Net Book Value as at 31.12.2020 RM	Date of acquisition
4.	H.S(D) 242482, P.T. 10061, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan No. 20, Jalan Pekaka 8/3, Sekysen 8, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan	One (1) unit of five (5) storey shop office	Land area: 4,349 Built up area: 21,408	Nineteen (19) years	Leasehold (99 years)/ 17 December 2106	5,112,219	29 September 2017
5.	PN 52716, Lot 20007 Section 95A and Geran 79381, Lot 20006 Section 95A BO 1-A-08, Menara 2, NO.3,Jalan Bangsar, KL ECO CITY, 59200 Kuala Lumpur	Whole of 8th floor of a twenty (20) storey building office tower block	Land area: Not applicable Built up area: 4,381	Five (5) years	Leasehold (99 years)/ 5 December 2113	4,984,885	5 August 2013
6.	Geran 316473, Lot 64445, Town of Glenmarie, District of Petaling, State of Selangor Darul Ehsan No.1, Jalan Pengaturcara U1/51E, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan.	One (1) unit of three (3) storey bungalow	Land area: 7,158 Built up area: 4,790	Ten (10) years	Freehold	3,734,074	4 September 2015
7.	HS(D) 279746, Lot No. PT 1981 Town of Glenmarie, District of Petaling, State of Selangor Darul Ehsan No. 18, Jalan Pengaturcara, U1/51H, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan	One (1) unit of three (3) storey semi- detached house	Land area: 8,253 Built up area: 3,940	Eight (8) years	Freehold	3,123,018	4 September 2015

LIST OF
PROPERTIES (CONT'D)

No	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (Sf)	Approximate age of building (Years)	Tenure/ Date of expiry of the Lease	Audited Net Book Value as at 31.12.2020 RM	Date of acquisition
8.	Land Parcel No. S1001 Phase 1A03-Rio Villa Eco Sanctuary PN 114310, Lot 74124 (formerly known as HS(D) 39255 PT 41293, HS(D) 39256 PT 41294, HS(D) 39257 PT41295) Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor Darul Ehsan Postal Address : No.52,Jalan Eco Santuari 1/1,Eco Santuari, 42500 Telok Panglima Garang, Selangor Darul Ehsan	One (1) unit of double storey semi- detached house	Land area: 4,800 Built up area : 3,577	Three (3) years	Leasehold (99 years)/ 9 November 2110	2,193,042	28 June 2015
9.	Land Parcel No. S1002 Phase 1A03-Rio Villa Eco Sanctuary PN 114310,Lot 74124 (formerly known as HS(D) 39255 PT 41293, HS(D) 39256 PT 41294, HS(D) 39257 PT41295) Mukim Tanjong Duabelas, District of Kuala Langat, State of Selangor Darul Ehsan Postal Address : No.50,Jalan Eco Santuari 1/1,Eco Santuari, 42500 Telok Panglima Garang, Selangor Darul Ehsan	One (1) unit of double storey semi-de- tached house	Land area: 4,004 Built up area : 3,522	Three (3) years	Leasehold (99 years)/ 9 November 2110	2,020,097	28 June 2015
10.	HS(D) 164582 PT 40672 Mukim Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan No. 55, Jalan Ecohill 3/1B Setia Ecohill 43500 Semenyih, Selangor Darul Ehsan	One (1) unit of double storey zero lot bungalow	Land area: 6,712 Built up area: 3,304	Five (5) years	Freehold	1,814,122	14 March 2016

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2021

Total Issued Share : 415,813,000 Ordinary Shares
(including 9,381,300 Treasury Shares as per Record of Depositors as at 1 April 2021)

Types of Shares : Ordinary Share

Voting Rights : One vote per Ordinary Share on a poll

DISTRIBUTION OF SHAREHOLDINGS AS AT 1 APRIL 2021

Size of Shareholdings	No. of Shareholders	%	No. of Shares [#]	% [#]
1 - 99	8	0.24	100	0.00
100 to 1,000	360	10.99	230,700	0.06
1,001 to 10,000	1,556	47.51	9,616,100	2.36
10,001 to 100,000	1,133	34.60	40,078,200	9.86
100,001 – 20,008,629 ^{*#}	215	6.57	266,048,100	65.46
20,008,630 and above ^{**#}	3	0.09	90,458,500	22.26
Total	3,275	100.00	406,431,700	100.00

Note:-

* Less than 5% of Issued Holdings

** 5% and above of Issued Holdings

Excluding a total of 9,381,300 ordinary shares bought back by the Company and retained as Treasury Shares as per Record of Depositors as at 1 April 2021

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Name	Direct Interest		Indirect Interest	
		No. of Shares [#]	% [#]	No. of Shares [#]	% [#]
1.	Dato' Phum Ang Kia	97,563,750	24.00	150,000*	0.04*
2.	Lim Swee Chai	54,038,250	13.30	-	-
3.	Pham Soon Kok	28,600,250	7.04	-	-

Note:-

Calculated based on the issued share capital excluding a total of 9,381,300 ordinary shares bought back by the Company and retained as Treasury Shares.

* Indirect Interest by virtue of his children pursuant to Section 59(11)(c) of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2021 (CONT'D)

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

	Name	Direct Interest		Indirect Interest	
		No. of Shares [#]	% [#]	No. of Shares [#]	% [#]
1.	Dato' Phum Ang Kia	97,563,750	24.00	150,000*	0.04*
2.	Lim Swee Chai	54,038,250	13.30	-	-
3.	Ir. Yeo An Thai	16,075,250	3.96	-	-
4.	Tung Kai Hung	9,775,250	2.41	-	-
5.	Yeoh Chong Keat	25,000	0.01	-	-
6.	Fathi Ridzuan bin Ahmad Fauzi	25,000	0.01	-	-
7.	Mohd Zaky bin Othman	-	-	-	-

Note:-

[#] Calculated based on the issued share capital excluding a total of 9,381,300 ordinary shares bought back by the Company and retained as Treasury Shares.

* Indirect Interest by virtue of his children pursuant to Section 59(11)(c) of the Companies Act, 2016.

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 1 APRIL 2021)

No.	Name	No. of Shares	%
1.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA (7003846)	38,500,000	9.47
2.	LIM SWEE CHAI	28,358,250	6.98
3.	PHAM SOON KOK	23,600,250	5.81
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA	19,200,000	4.72
5.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SWEE CHAI	15,830,000	3.89
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IR. YEO AN THAI	14,875,250	3.66
7.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA	14,200,000	3.49
8.	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR YAYASAN ISLAM TERENGGANU	13,290,000	3.27

ANALYSIS OF SHAREHOLDINGS

AS AT 1 APRIL 2021 (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D) (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 1 APRIL 2021)

No.	Name	No. of Shares	%
9.	LIM KOK TIONG	12,257,150	3.02
10.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' PHUM ANG KIA (SMART)	10,800,000	2.66
11.	CHAN KENG KONG	10,795,750	2.66
12.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA (MY3638)	8,000,000	1.97
13.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	7,959,300	1.96
14.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SWEE CHAI	7,800,000	1.92
15.	TUNG KAI HUNG	6,775,250	1.67
16.	YAP GOON YING	5,777,250	1.42
17.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PUAH KIAN YIEW	5,190,850	1.28
18.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHAM SOON KOK	5,000,000	1.23
19.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATUK CHIAU BENG TEIK	4,961,600	1.22
20.	DATO' PHUM ANG KIA	4,863,750	1.20
21.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)	4,302,600	1.06
22.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK	3,847,100	0.95
23.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK (MY2975)	3,660,000	0.90
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	3,388,400	0.83

ANALYSIS OF
SHAREHOLDINGS

AS AT 1 APRIL 2021 (CONT'D)

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 1 APRIL 2021)

No.	Name	No. of Shares	%
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK	3,221,200	0.79
26.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT – AMBANK (M) BERHAD FOR DIVINE INVENTIONS SDN BHD (SMART)	3,000,000	0.74
27.	TUNG KAI HUNG	3,000,000	0.74
28.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP KOK WENG	2,806,700	0.69
29.	LAM WING KING	2,789,250	0.69
30.	SOON SEONG KEAT	2,200,000	0.54

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth (24th) Annual General Meeting ("AGM") of Advancecon Holdings Berhad ("the Company") will be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 17 June 2021 at 10.00 a.m. or at any adjournment thereof for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. *(Please refer to Explanatory Note 1)*
2. To approve the payment of Directors' fees and other benefits of up to RM305,400 in respect of the period from 18 June 2021 until the conclusion of the next AGM of the Company. *Ordinary Resolution 1*
3. To re-elect the following Directors, who retire by rotation in accordance with Clause 125 of the Company's Constitution and being eligible, have offered themselves for re-election:
 - (a) Dato' Phum Ang Kia *Ordinary Resolution 2*
 - (b) Fathi Ridzuan bin Ahmad Fauzi *Ordinary Resolution 3*
4. To re-appoint Messrs. Crowe Malaysia PLT as auditors of the Company and to authorise the Directors to fix their remuneration. *Ordinary Resolution 4*

AS SPECIAL BUSINESS

To consider and if thought fit, with or without modifications to pass the following resolutions:

5. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** *Ordinary Resolution 5*

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 ("the Act"), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 April 2020 and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the issued share capital of the Company for the time being ("20% General Mandate") and that the Directors be and are hereby also empowered to obtain approval from the Bursa Securities for the listing and quotation of the additional shares so issued.

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until 31 December 2021, as empowered by Bursa Securities pursuant to its letter dated 16 April 2020 to grant additional temporary relief measures to listed corporations, notwithstanding Section 76(3) of the Act, duly varied and adopted by the Directors of the Company pursuant to Section 76(4) of the Act."

6. **PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES** *Ordinary Resolution 6*

"THAT, subject always to the Act, the provisions of the Constitution of the Company, the Main Market Listing Requirements ("Listing Requirements") and the approvals of all relevant authorities (if any), the Board of Directors of the Company be and is hereby unconditionally and generally authorised, to purchase

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING (CONT'D)

such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (i) the maximum aggregate number of shares which may be purchased and held by the Company must not exceed 10% of the total number of issued shares of the Company at any point in time ("Proposed Share Buy-Back");
- (ii) the maximum amount to be allocated for the Proposed Share Buy-Back shall not exceed the aggregate of the Company's retained profits based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of purchase of the Proposed Share Buy-Back; and
- (iii) the shares of the Company so purchased may be cancelled, retained as treasury shares, distributed as dividends or resold on Bursa Securities, or a combination of any of the above, or be dealt with in such manner allowed by the Act and Listing Requirements from time to time.

THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

- (a) the conclusion of the next AGM of the Company following the general meeting at which such resolution is passed at which time the authority will lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next AGM of the Company is required by law to be held; or
- (c) the authority is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever occurs first, but shall not prejudice the completion of the purchase by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and/or any other relevant authority.

AND THAT authority be and is hereby unconditionally and generally given to the Directors to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act 1991, and the entering into all agreements, arrangements and guarantees with any party or parties) to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities and with full power to do all such acts and things thereafter in accordance with the Act, the provisions of the Constitution of the Company, the Listing Requirements and all other relevant governmental and/or regulatory authorities."

- 7. To transact any other ordinary business for which due notice have been given.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482 / SSM PC No. 201908002253)
Thien Lee Mee (LS0009760 / SSM PC No. 201908002254)
Company Secretaries

Selangor Darul Ehsan
Dated: 27 April 2021

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. In respect of deposited securities, only member whose names appear in the Company's Record of Depositors as at 8 June 2021 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.
2. A member shall not be entitled to appoint more than (2) proxies. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
3. A proxy may but need not be a shareholder of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the shareholder to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
7. The original instrument appointing a proxy be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd, situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, not less than 48 hours before the time set for holding this meeting.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, participate, speak and vote at this meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for this meeting and the preparation and compilation of the attendance lists, minutes and other documents relating to this meeting, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Ordinary Resolutions and Special Business:

1. Item 1 of the Agenda - Audited financial statements for the Financial Year Ended 31 December 2020

This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1)(a) of the Act do not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward to the shareholders for voting.

2. Item 2 of the Agenda - Payment of Directors' fees and other benefits payable

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Company is requesting for the shareholders' approval for the payment of fees in accordance with the proposed remuneration structure set out below:

	Director's fee (RM)	Meeting allowance (RM)	Business travel, accommodation and etc. (RM)
Independent Non-Executive Chairman	8,100 per month	500.00 per meeting	20,000 per annum
Independent Non-Executive Director	5,800 per month	500.00 per meeting	20,000 per annum

3. Item 3 of the Agenda - Re-election of retiring Directors

Clause 125 of the Company's Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at the AGM of the Company. All the Directors shall retire from office once at least in each three years but shall be eligible for re-election. Dato' Phum Ang Kia and Fathi Ridzuan bin Ahmad Fauzi are standing for re-election as Directors of the Company. Fathi Ridzuan bin Ahmad Fauzi, who is the Independent Non-Executive Director, has reaffirmed his independence based on independence criteria applied by the Company which is also used in the yearly assessment of Independent Non-Executive Director's independence and fulfilled the independence definitions as prescribed under the Listing Requirements.

For the purpose of determining the eligibility of the Directors to stand for re-election at this meeting and in line with Practice 5.1 of the Malaysian Code on Corporate Governance, the Nomination Committee has assessed each of the retiring Directors under Ordinary Resolutions 2 and 3, and considered the following:

- (a) the Directors performance and contribution based on the results of the annual evaluation of board;
- (b) the Director's level of contribution to the Board deliberations through his skills, experience and strength in qualities; and
- (c) their abilities to act in the best interests of the Company in decision-making.

Based on the results of the annual evaluation of board, the individual Directors met the performance criteria required of an effective Board. Hence, the Board has recommended the re-election of Dato' Phum Ang Kia and Fathi Ridzuan bin Ahmad Fauzi as Directors of the Company.

4. Item 4 of the Agenda - Re-appointment of Auditors

The Audit Committee and the Board have considered the re-appointment of Messrs. Crowe Malaysia PLT as auditors of the Company and collectively agreed that they have met the relevant criteria prescribed by Paragraph 15.21 of Listing Requirements.

NOTICE OF TWENTY-FOURTH ANNUAL GENERAL MEETING (CONT'D)

5. Item 5 of the Agenda - Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company to allot and issue ordinary shares of the Company from time to time and to grant rights to subscribe for shares in the Company, convert any securities into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Proposed 20% General Mandate") up to 31 December 2021. With effect from 1 January 2022, the Proposed 20% General Mandate will be reinstated to a 10% limit ("Proposed 10% General Mandate") according to Paragraph 6.03 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The authority for the Proposed General Mandate will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting ("AGM") or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

As at the date of this notice, the Company did not issue any new shares pursuant to the general mandate granted to the Directors at the last AGM held on 30 July 2020.

The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities without the need to convene a separate general meeting to specifically approve such issuance of shares and thereby reducing administrative time and costs associated with the convening of such meeting. However, at this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect of the purpose and utilisation of proceeds arising from such issue.

6. Item 6 of the Agenda - Proposed Renewal of Authority for the Company to purchase its own ordinary shares

The proposed Ordinary Resolution 6, if passed, will provide the mandate for the Company to purchase up to 10% of the total number of issued ordinary shares of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Please refer to the Share Buy-Back Statement dated 27 April 2021 for further details of the Proposed Renewal of Authority for the Company to purchase its own ordinary shares.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. Details of persons who are standing for election as Directors

No individual is seeking election as a Director at the 24th AGM of the Company.

2. Statement relating to general mandate for issue of securities

Please refer to Explanatory Note 5 of the Notice of 24th AGM for information relating to general mandate for issue of securities.

PROXY FORM

I/We _____ (FULL NAME IN BLOCK CAPITAL)

*NRIC/ Registration No. _____ of _____

(FULL ADDRESS)

being a member(s) of **ADVANCECON HOLDINGS BERHAD** (Registration No. 199701011469 (426965-M)) hereby appoint

(Proxy 1) _____ (FULL NAME IN BLOCK CAPITAL)

*NRIC/ Registration No. _____ of _____

(FULL ADDRESS)

and failing *him/her (Proxy 2) _____ (FULL NAME IN BLOCK CAPITAL)

*NRIC/ Registration No. _____ of _____

(FULL ADDRESS)

and failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for me/us and on *my/our behalf at the Twenty-Fourth ("24th") Annual General Meeting ("AGM") of the Company to be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 17 June 2021 at 10.00 a.m. or at any adjournment thereof.

The proportions of my/our holdings to be represented by *my/our proxies are as follows:

First Proxy

No. of Shares:

Percentage :%

Second Proxy

No. of Shares:

Percentage :%

My/Our proxy is to vote as indicated below:

	Resolutions	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees and other benefits of up to RM305,400 in respect of the period from 18 June 2021 until the conclusion of the next AGM of the Company.		
Ordinary Resolution 2	To re-elect Dato' Phum Ang Kia as Director.		
Ordinary Resolution 3	To re-elect Fathi Ridzuan bin Ahmad Fauzi as Director.		
Ordinary Resolution 4	To re-appoint Messrs. Crowe Malaysia PLT as auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 5	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016		
Ordinary Resolution 6	Proposed renewal of authority for the company to purchase its own ordinary shares		

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If no specific instruction is given on the voting, the proxy/proxies will vote or abstain from voting on the resolution at his/her discretion.

Dated this _____ day of _____, 2021.

No. of Shares held	
CDS Account No.	
Tel No. (during office hours)	

* Strike out whichever not applicable

*Signature/Common Seal of Shareholder

Contact no.:

Notes:

1. In respect of deposited securities, only member whose names appear in the Company's Record of Depositors as at 8 June 2021 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.
2. A member shall not be entitled to appoint more than two (2) proxies. Where a member appoints more than one (1) proxy, he shall specify the proportions of his shareholdings to be represented by each proxy, failing which the appointment shall be invalid.
3. A proxy may but need not be a shareholder of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the meeting shall have the same rights as the shareholder to speak at the meeting.
4. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares to the credit of the said securities account.
5. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
7. The original instrument appointing a proxy be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd, situated at 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, not less than 48 hours before the time set for holding this meeting.
8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Twenty-Fourth (24th) AGM dated 27 April 2021.

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Place Stamp Here

The Share Registrar of
ADVANCECON HOLDINGS BERHAD (Registration No. 199701011469 (426965-M))
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor

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ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))

(Incorporated in Malaysia)

REQUEST FORM

To : ADVANCECON HOLDINGS BERHAD
No. 16,18 & 20, Jalan Pekaka 8/3
Seksyen 8, Kota Damasara
47810 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-6157 9563 ext 306
Fax : 03-6156 0290
Email : sy_chan@advancecon.com.my

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Please send me / us a printed copy of Annual Report 2020 and Circular

NAME OF SHAREHOLDER : _____

NRIC NO./ PASSPORT NO./ COMPANY NO. : _____

CDS ACCOUNT NO. : _____

ADDRESS : _____

CONTACT NO. : _____

Signature of Shareholder

Date

Notes:

1. The printed copy will be sent to you within four (4) market days by ordinary post upon receipts of your request.
2. The Annual Report can be downloaded from <http://www.advancecon.com.my>

Please fold here

Place Stamp Here

The Share Registrar of
ADVANCECON HOLDINGS BERHAD (Registration No. 199701011469 (426965-M))
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya, Selangor

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ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))

16,18 & 20 Jalan Pekaka 8/3,
Seksyen 8, Kota Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.

Tel : +603 6157 9563

Fax : +603 6157 0469

Email : info@advancecon.com.my

www.advancecon.com.my

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5281
COMPANY NAME : ADVANCECON HOLDINGS BERHAD
FINANCIAL YEAR : December 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	Advancecon Holdings Berhad ("Advancecon" or "the Company") is led by an experienced, competent and diversified Board that is made up of Directors with appropriate competencies, knowledge, skills and experience from diverse backgrounds. The Directors collectively, set the Company's strategic objectives and ensure that the necessary resources are in place for the Company to meet its objectives and review management performance. The Board is responsible for the oversight and overall management of the Company. The Executive Directors are responsible to manage the day-to-day operations of the business, implementation of Board policies and making strategic decisions for the business while the Independent Non-Executive Directors ("INEDs") contribute their independent judgement to the Board on issues of strategy and performance. The Board is guided by its Board Charter and the Code of Conduct and Ethics ("Code") which clearly sets out the Board's roles and responsibilities and the standard of conduct expected of Directors respectively. Board Committees, which operate within its respective defined Terms of Reference ("TOR"), have been established to assist the Board in the discharge of its specific duties and responsibilities. Hence, the Chairman of the respective Committees report to the Board the outcome of deliberations of each Committee's meetings. In order to ensure the effective discharge of the Board's functions and responsibilities in meeting the objectives of the Company and of the Group, the Board had carried out the following activities during the financial year ended 31 December 2020 ("FY2020"):

	(a) The Chairman ensures that decisions are taken on a sound and well-informed basis, including ensuring that all strategic and critical issues are considered by the Board and that Directors receive the relevant information on a timely basis. (b) The Management's performance under the leadership of the Group Chief Executive Officer ("Group CEO") is monitored through a yearly performance evaluation. (c) The Board through the Nomination Committee ("NC") is responsible to ensure the Board is represented by individuals with an optimal mix of qualifications, skills and experience. (d) The Remuneration Committee ("RC") is responsible to formulate and review the remuneration for Directors and Senior Management of the Company to ensure the same remain competitive, appropriate and in alignment with the prevailing market practices. (e) Through the Risk Management and Sustainability Committee ("RMSC"), the Board oversees the risk management framework of the Group. The RMSC assists the Board to fulfill its responsibilities with regards to risk governance and risk management in order to manage the overall risks exposure of the Group. The Audit Committee ("AC") reviews the risk management and internal controls of the Group to ensure, as far as possible, the protection of its assets and its shareholders' interest. (f) The Board maintains an open communication policy that enables the Board and its Management to communicate effectively with shareholders and members of the general public. Whenever appropriate, the Board or the relevant management personnel will respond to queries from the stakeholders on a timely manner. (g) The Board ensures that financial statements prepared for each financial year have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year. In preparing the financial statements the Board has: • Ensure adherence to accounting policies and applied them consistently. • Made judgements and estimates that are reasonable and prudent. • Ensure that all applicable accounting standards have been adhered to.
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	• Ensure financial statements are prepared on the going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group has adequate resources to continue in operations for the foreseeable future.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	Mr Yeoh Chong Keat is the Independent Non-Executive Chairman of the Company. He is responsible for leadership of the Board and presides over the meetings of the Board to ensure that the Board perform its roles and responsibilities effectively at the same time and discharges its fiduciary duties diligently. Other than leading the Board meetings and meetings of shareholders, the Chairman ensures that all relevant issues for the successful stewardship of the Group's business are on the Board agenda to facilitate effective decision making by the Board. During the FY2020, the Chairman had: (a) Provided leadership for the Board so that the Board could perform its roles and responsibilities effectively and setting its agenda. The Chairman is also responsible for creating an environment for open, robust and effective debate. This includes ensuring, via the Company Secretary, that the Directors receive accurate, timely and clear information. (b) Set the Board agenda with Company Secretary and ensured that Board members had received complete and accurate information in a timely manner. (c) Led Board meetings and discussions. (d) Managed boardroom dynamics by promoting a culture of openness and debate; encouraged active participation and allowed dissenting views to be freely expressed. (e) Acted as the conduit between Management and the Board, although all Directors should have the opportunity to get to know key members of the Management team. (f) Ensured appropriate steps are taken to provide effective communication with stakeholders and that their views were communicated to the Board as a whole.

	(g) Led the Board in establishing and monitoring good corporate governance practices in the company.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	The positions of Chairman and Group CEO of Advancecon are held by two different individuals. The Independent Non-Executive Chairman, Mr Yeoh Chong Keat leads and manages the Board in its collective oversight of management by focusing on governance and compliance whereas the Group CEO, Dato' Phum Ang Kia manages the business strategy and day-to-day operations of the Company. The roles of Chairman and the Group CEO are segregated and clearly defined by their individual position descriptions. The distinct and separate roles of the Chairman and Group CEO, with their clear division of roles and responsibilities have ensured a balance of power and authority, such that no one individual has unfettered decision-making powers. The roles of the Chairman and Group CEO are defined in the Board Charter which is available on the Company's website at www.advancecon.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	The Board is assisted by two Company Secretaries who are qualified to act as company secretaries under Section 235(2) of the Companies Act 2016 ("the Act"). One of them is a member of Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) whilst the other is a Licensed Company Secretary (LS). During the FY2020, the Company Secretaries had performed the following tasks: (a) Supported the Board and played an important role to facilitate the overall compliance with the Act, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR") and other relevant laws and regulations by updating the Board at the Board meetings. (b) Assisted the Board and Board Committees to function effectively and in accordance with their respective TOR and best practices and ensured adherence to the existing Board policies and procedures. (c) Attended Board Meetings and ensured the proper conduct of the meetings. Deliberations and decisions were accurately minuted and kept in the minutes books. (d) Managed processes pertaining to the annual shareholders meeting. (e) Served as a focal point for stakeholders' communication and engagement on corporate governance issues. The roles and responsibilities of the Company Secretaries are set out in the Company's Board Charter, which is available on the Company's website at www.advancecon.com.my.

	The Company Secretaries had attended the necessary training programmes, conferences, seminars and/or forums organised by the Companies Commission of Malaysia (“CCM”), MAICSA, the Securities Commission Malaysia (“SC”) and Bursa Securities as well as in house training so as to keep themselves abreast with the latest changes in laws and regulatory requirements that are relevant to their profession and to provide the necessary advisory role to the Board.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers are forwarded to each director no later than seven days before the date of the meeting. This is to ensure that the Board papers comprising issues to be discussed, supporting information and documentations are provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board papers and seek for any clarification or further explanation from Management and the Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries. The Board has access to all information within the Company to enable them to discharge their duties and responsibilities and is supplied in a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making. Senior Management and/or external consultants may be invited to attend Board Meetings to advise and/or furnish the Board with relevant information. To facilitate smooth operation of the businesses of the Group, follow up actions requested by the Board or Board Committees pertaining to the decisions of the Board or the Board Committees, are addressed by the Management within the timeline given.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies—

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	The Board is guided by its Board Charter which clearly sets out the Board's strategic intent, roles and responsibilities in discharging its fiduciary and leadership functions. The Board Charter serves as a main source of reference and also provides insights to prospective Board members and Senior Management. It clearly explains the relationship and interaction between the Board, Board Committees, Chairman and Executive Directors. Hence, the Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board's objectives and corporate vision. The Board Charter was reviewed by the Board on 24 February 2021. The current Board Charter is accessible for reference on the Company's website at www.advancecon.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code as a guidance to be followed by Directors and all employees with regards to the Group's standard of integrity and rules of conduct to be observed in the performance of work and business practices. The core sections of the Code covered the following principles: • Act with Integrity and Ethics • Protect Advancecon Assets and Intellectual Property • Comply with Laws and Regulations • Working with One Another The Board will periodically review the Code when necessary to ensure it remains relevant and appropriate. The details of the Code are available for reference at the Company's website at www.advancecon.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	The Board has established a Whistle Blowing Policy to provide an avenue to facilitate employees of the Group or members of the public to raise any concerns or disclose any improper conduct within the Group and to take appropriate action to resolve it effectively. Whistle-blowers can report any improper conduct by email to the Audit Committee Chairman, En Mohd Zaky bin Othman at mohd_zaky@advancecon.com.my or post it to Advancecon's office. The Whistle Blowing Policy is available on the Company's website at www.advancecon.com.my. On 20 May 2020, the Board had adopted the Anti-Bribery and Corruption Policy which governs the prevention of corruption and unethical practices within the Group. The Anti-Bribery and Corruption Policy Statement is available on the Company's website at www.advancecon.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	The current Board comprises of seven members with three being INED. <table border="1"> <thead> <tr> <th>Designation</th><th>Number of Directors</th><th>Percentage (%)</th></tr> </thead> <tbody> <tr> <td>Executive Directors</td><td>4</td><td>57.14</td></tr> <tr> <td>Independent and Non-Executive Directors</td><td>3</td><td>42.86</td></tr> <tr> <td>Total</td><td>7</td><td>100.00</td></tr> </tbody> </table> The Board is in compliance with Paragraph 15.02 of the MMLR, which requires that at least two Directors or one-third of the Board of the Company, whichever is the higher, are INED. The Board is mindful that it does not comprise at least half of INED as it is of the view that the present INED, with the breadth of professional background and experience, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinions and viewpoints. The Board is satisfied that the Independent Directors are independent of management and free from management and/or any business or other relationship which could interfere with the exercise of independent judgement, objectivity and the ability to act in the best interest of the Company. The current composition of the Board Committees (with the exception of the RMSC) however is made up of only INED. This affirms the Board's commitment towards independence in Board leadership and provides strong check and balance in the Board's governance function. Therefore, the lack of the necessary number of INED has not jeopardised the independence of Board deliberations and all decisions have been made in the best interest of the Company and the Group.	Designation	Number of Directors	Percentage (%)	Executive Directors	4	57.14	Independent and Non-Executive Directors	3	42.86	Total	7	100.00
Designation	Number of Directors	Percentage (%)												
Executive Directors	4	57.14												
Independent and Non-Executive Directors	3	42.86												
Total	7	100.00												
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														

Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	During the FY2020, none of the Independent Directors have served as Independent Director for a cumulative term of nine years or more.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises that having a range of different skills, backgrounds and experiences is essential to ensure effective decision making and governance in the best interests of the Company. The normal selection criteria of a Director are based on an effective blend of competencies, skills, experience and knowledge so as to strengthen the Board. The NC is responsible for identifying, assessing and recommending the right candidates to the Board as well as reviewing the composition and performance of the Board. In making its recommendations, the NC will consider, among others, the mix of skills, knowledge, experience, diversity (including gender diversity), background, integrity, competence, time commitment and independence in order to meet the strategic objectives and business requirements of the Group. During the FY2020, the diversity for the Board and Senior Management are as follows: <u>Board of Directors</u> Gender: Male (7); Female (0) Age: 40-49 (1); 50-59 (2); 60 & above (4) Ethnicity: Malay (2); Chinese (5); Indian (0) <u>Senior Management</u> Gender: Male (2); Female (0) Age: 30-39 (0); 40-49 (2); 50-59 (0); 60 & above (0) Ethnicity: Malay (0); Chinese (2); Indian (0) Having assessed the size, composition and diversity of the Board annually, the NC and the Board opined that the existing Board has the requisite competencies and capacity to effectively discharge its functions and responsibilities.
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Board is supportive of the recommendation of Malaysian Code on Corporate Governance 2017 ("MCCG") to the establishment of boardroom and workforce gender diversity policy. The Board does not have specific policies on setting target for the appointment of female Director to the Board. The NC will evaluate, assess and recommend the right candidate to the Board based on the candidates' competency, skills, character, time commitment, knowledge, experience and other qualities in meeting the needs of the Group. Equal opportunity is given and the Board does not practise discrimination of any form, whether based on age, gender, race and religion throughout the organisation. Nevertheless, the Board will evaluate and match the criteria of the potential candidate as well as considering the boardroom diversity for any new proposed appointment of directors. Currently, our Board members comprise of all male Directors. However, to be in line with the country's aspirational target of 30% representation of women on Board, the Board may consider appointing female Directors in the future to bring about gender diversity.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	During the FY2020, the Company did not appoint new additional directors. The current process with regards to the appointment of new Directors to the Board is based on the recommendation of the NC. The Board relies on the existing network and referrals from existing board members, senior management and major shareholders as primary means to source for new Directors as they represent a tried and tested method to source for high-calibre directors with a sound understanding of the business. The Directors appointment process is carried out based on methodical and robust process undertaken by the NC. Candidates recommended are thoroughly assessed based on their competence, integrity, character, time commitment and experience as stated in Paragraph 2.20A of MMLR.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied
Explanation on application of the practice	:	The NC is made up entirely of INEDs in compliance with paragraph 15.08A(1) of the MMLR. The NC is chaired by Mr Yeoh Chong Keat, who is the Independent Non-Executive Chairman of the Group. The composition of the NC can be found on Page 6 of the Annual Report 2020 ("AR") under Corporate Information. The TOR of the NC was reviewed by the NC and approved by the Board on 24 February 2021. The TOR of the NC can be viewed at the Company's website at www.advancecon.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	During the FY2020, the NC conducted a formal and objective internal annual assessment of the Board performance as a whole, the Board Committees and individual Directors, based on self and peer assessment which was undertaken internally. The assessment covers the size and composition of the Board as well as skill mix, industry experience, roles and responsibilities, and effectiveness of the Board, Board Committees and individual Directors based on a set of questionnaires and rating system. Below are the criteria used to assess Board, Board Committees and individual Directors respectively during the financial year: (a) Directors' self-assessment • knowledge about the Group's vision and mission; • individual roles, responsibilities and functions including but not limited to participation / deliberation at Board meetings, knowledge about the Group's financial status / performance and the state of affairs of the Group; • competency and contribution. (b) Board and Board Committees' assessment • Board mix authority and composition to function effectively; • quality of information and decision making process with regards to financial performance and audit, risk management, internal control and communication with stakeholders. The NC has referred to the criteria of "Independence" used in the definition of "independent directors" prescribed under the MMLR and MCCG when assessing the independence of INED.

	The results of the assessments were compiled by the Company Secretary for deliberation and recommendation at the NC meeting and the NC will subsequently table the matter to the Board for their consideration. The Board had undertaken the annual evaluation of themselves, its committees and each individual director for FY2020. The Board was satisfied with the outcome of the evaluation and was of the view that the internal evaluation was adequate to determine the overall effectiveness of the Board and individual Directors. The Board recognises that it is important that all Directors should be able to dedicate sufficient time to the Company to discharge their responsibilities effectively.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The RC is authorised by the Board to establish a formal and transparent procedure for developing a policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as Directors. The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for the Executive Directors that is fairly guided by market norms and industry practice. The RC also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group. The determination of the remuneration for INED is a matter of the Board as a whole. The level of remuneration for INED reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular INED concerned. The remuneration package of INED will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting ("AGM") based on recommendations of the Board.

	The remuneration components of key Senior Management shall consist of basic salary, performance-based bonus, benefits-in-kind and other incentives (where applicable). The remuneration of key Senior Management is determined at a level which enables the Company to attract, develop and retain high performing and talented individual with the relevant experience, level of expertise and skills.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	In line with the best practices of MCCG, the Board has set up a RC which comprises exclusively of INEDs in order to assist the Board for determining the remuneration of Directors' and Senior Management. Amongst the RC's functions and duties outlined in its TOR are: (a) To provide assistance and implement the Company's policies and procedures on remuneration including reviewing and recommending matters relating to remuneration and key performance indicators of the Directors and Senior Management. (b) To ensure the Group's remuneration package and key performance indicators are appropriately established after taking into account the demands, complexities and performance of the Company as well as skills and experience required and are aligned with our Group's vision, values and business objectives, market trends and information sources on the rates of salary for similar jobs in selected group of comparable companies. (c) To ensure a fair differential between the remuneration of Directors and Senior Management and other levels of management is maintained. (d) To review and determine the benefits in kind for the Directors and Senior Management. (e) To provide assistance to the Board on matters relating to, amongst others, and ensure alignment of management grievances pertaining to compensation, compensation strategy, management development and other compensation

	arrangements in line with market practice. The present members of the RC are as follows: • Fathi Ridzuan bin Ahmad Fauzi, Chairman (INED) • Yeoh Chong Keat, Member (Independent Non-Executive Chairman) • Mohd Zaky bin Othman, Member (INED) The TOR of the RC was reviewed by the RC and approved by the Board on 24 February 2021. The TOR of the RC can be viewed at the Company's website at www.advancecon.com.my.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The details of the Directors’ Remuneration on a named basis and paid by the Company and its subsidiaries (including the components of directors’ fees, salary, bonus, benefits in-kind and other emoluments) during the FY2020 were disclosed in the Corporate Governance (“CG”) Overview Statement on page 29 of the AR.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	Disclosure on the remuneration of the top five Senior Management in the bands of RM50,000 is not provided in the CG Overview Statement of the Company's AR. However, the remuneration of the Executive Directors has been disclosed in the CG Overview Statement of the AR. At this juncture, the Board is of the opinion that the disclosure on the remuneration of the top five Senior Management on a named basis would not be in the best interest of the Group due to confidentiality and sensitivity concerns as well as the issue of competition and staff poaching. The Board will ensure that the remuneration of the Senior Management commensurate with their duties and responsibilities and the performance of the Company. Based on the above rationale, the Company is not in favour of disclosing the remuneration of the top five Senior Management on a named basis
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The roles of the Chairman of the Board and the Chairman of the AC are assumed by different Directors. The Chairman of the Board is Mr Yeoh Chong Keat while the Chairman of the AC is En Mohd Zaky Bin Othman.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	None of the members of the AC was a former key audit partner during FY2020.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	The role of the AC in relation to the external auditors, Messrs Crowe Malaysia PLT ("EA") is found in the AC Report included in the AR. Management maintains a transparent working relationship with EA in seeking professional advice and ensuring compliance with the applicable accounting standards. The AC will meet with EA without the presence of Management to ensure that the independence and objectivity of EA are not compromised and matters of concerns expressed by the AC will be raised at that meeting. In November 2020, EA presented the Audit Planning Memorandum ("APM") to the AC and they have given written assurance and confirmation that they are and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Prior to the re-appointment of EA for the forthcoming AGM, the AC had undertaken an annual assessment of the quality of audit which encompassed the performance of EA, the quality of their communications with the AC and the Company and their independence, objectivity and professionalism. After the review, the AC was satisfied with the suitability of EA based on their quality of audit, performance, competency and sufficiency of resources the external audit team provided to the Group. The AC was also satisfied that the provision of the non-audit services provided by EA to the Company for the FY2020 did not in any way impair their objectivity and independence as external auditors of the Company. Having taken into consideration of the above, the Board, through the AC opined that the EA are independent and suitably qualified to act.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The AC consists of three members, who are all Independent Non-Executive Directors ("INED"). The members of the AC are as follows: • Mohd Zaky Bin Othman, Chairman (INED) • Yeoh Chong Keat, Member (INED) • Fathi Ridzuan Bin Ahmad Fauzi, Member (INED) All the three INED have satisfied the independence test based on the criteria set out in the MMLR. The TOR of the AC was reviewed by the AC and approved by the Board on 24 February 2021. The TOR of the AC can be viewed at the Company's website at www.advancecon.com.my.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	Members of the AC are financially literate and have diverse background and collectively, possess a wide range of necessary skills to discharge their duties to be able to understand matters under the purview of the AC including the financial reporting process. During the year, members of the AC were guided on the key audit matters, significant audit issues highlighted in the Audit Planning Memorandum and briefed by the external auditors on financial reporting and other updates. The Quarterly Interim Financial Reports are briefed to the members of the AC, discussed and deliberated amongst the members before the said Report was recommended to be tabled to the Board for approval. The AC members had attended training programmes to keep abreast of relevant industry issues, market development and trends including accounting and auditing standards to enable them to sustain their active participation in the functions of the AC. Details of the training and seminars attended by the Directors during FY2020 are set out in the CG Overview Statement on page 28 of the AR.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the importance of a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board acknowledges its primary responsibility to ensure that risks in the Group are identified, measured and managed with appropriate system of risk management and internal controls, and to ensure that the effectiveness, adequacy and integrity of the risk management and internal control systems are reviewed on an on-going basis. The Group has in place an on-going process for identifying, evaluating and managing significant risks that may affect the achievement of business objectives for the year and up to the date of this report. The top risks are reported to the Board on regular basis for their deliberation. The RMSC continuously evaluates and monitors the significant risks relevant to the Group, appraises and assesses the efficacy of controls implemented to mitigate those risks through a formalised monitoring and reporting process. Reviews are conducted by the RMSC on a regular basis with additional reviews as and when required. Internal control and risk-related matters which require the attention of the Board were recommended by the RMSC to the Board for its deliberation and approval and matters or decisions made within the RMSC's purview were escalated to the Board for its notation. An overview of the state of risk management and internal control within the Group governed by the Risk Management Framework is set out in the Statement on Risk Management and Internal Control ("SORMIC") of the AR.
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied	
Explanation on application of the practice	:	The features of the Group's risk management and internal control framework, and the adequacy and effectiveness of this framework are disclosed in the SORMIC on pages 32 to 34 of the AR.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	The Board had outsourced the internal audit function to an independent professional service firm, namely, Sterling Business Alignment Consulting Sdn Bhd which provides an independent assurance to the Board on the efficiency, effectiveness and adequacy of the Group's system of internal controls. The internal audit functions are carried out in accordance to the risk based internal audit plan approved by the AC. The internal audit plan is developed taking into consideration the Group's latest risk register, risk matrix , business environment, activities, and concerns of the Management and the Board. The Internal Auditors reports directly to the AC. Further details of the internal audit activities are set out in the AC Report on pages 42 to 44 and the SORMIC on pages 32 to 34 of the AR. The appointment of the internal auditor was reviewed by the AC annually and endorsed by the Board. The Internal Auditors have unrestricted access to the AC, Board and management. The internal audit personnel constantly keep themselves abreast with developments in the profession, relevant industry and regulations through attendance at conferences/trainings.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	In accordance with the Internal Audit Charter (Section 5. Independence & Objectivity), Internal Auditors are required to confirm to the AC, at least annually, the organisational independence of the internal audit activity. The Group's internal audit function is outsourced to professional service firm Sterling Business Alignment Consulting Sdn Bhd ("Internal Auditors"). Internal Auditors ensures adequate number of personnel to conduct the review. Sterling had confirmed that they are independent and free from any relationship or conflict of interest with the Group. The personnel of the Internal Auditors are free from any relationships or conflicts of interest which could impair their objectivity and independence. For the Financial year under review, the following Internal Auditors have led the reviews respectively. - Ms. So Hsien Ying, a Certified Internal Control Professional (US), Master in Business Administration (Finance) (Hull), BSc Economics (Hons) (London), permanent member of The Internal Control Institute (US), Member of Malaysian Alliance of Corporate Directors and Associate Member of The Institute of Internal Auditors Malaysia (IIAM) with 27 years of experience in business process improvement, internal control review, internal audit and risk management. - Ms. Yap Sau Peng, a member of Malaysian Institute of Accountant, Certified Member of The Institute Internal Auditors Malaysia, Certified Practicing Accountant (CPA) (Australia) and Master in Business Administration (Australia) with 19 years of experience in business process improvement,

	internal control review, internal audit and risk management. - Mr Cheng Chean, a member of Malaysian Institute of Accountant and a Certified Member of Institute of Internal Auditors Malaysia (CMIIA). He is also a Fellow Chartered Certified Accountant (FCCA). Mr. Cheng has 15 years of hand on experience in the fields of External Audit, Internal Audit and Internal Control Review. The number of resources of Sterling deployed for each internal audit review ranges from 2 to 5 audit personnel per visit. The staff involved in the internal audit reviews possesses professional qualifications and/or university degree. Majority of the staff are members of The Institute of Internal Auditors Malaysia. The IA review work is reviewed by the respective Manager in charge of the assignment and the Principal. During the year, the internal audit function was carried out in accordance with the Committee of Sponsoring Organizations of the Treadway Commission's ("COSO") Internal Control — Integrated Framework. At the same time, Internal Auditors also refer to the International Standards For The Professional Practice Of Internal Auditing (Standards) as guidance of providing a general framework for performing and promoting a broad range of value-added internal auditing functions.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	Advancecon ensures that its communication with the shareholders and various stakeholders is transparent, timely and with quality disclosures. Advancecon also actively engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Advancecon's website and engagement through the investor relations ("IR") briefings. The Board ensures the Company announces its quarterly results on a timely basis to the shareholders and also make necessary announcement to its stakeholders. Advancecon via its website, includes an IR section which provides all relevant information on the Company and is accessible to the public. This IR section enhances the IR function by including all announcements made by Advancecon. The IR function is established to enable continuous communication between the Company and its stakeholders. The stakeholders are encouraged to channel their enquiries to the respective personal whose name, contact number and e-mail address i.e. investors@advancecon.com.my is provided on Advancecon's website.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:		
		Not applicable as the Company is not a Large Company as defined by MCCG	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	Shareholders were given notice of more than 28 days in respect of the 23rd AGM of the Company held on 30 July 2020. The 24th AGM of the Company is scheduled on 17 June 2021 and the Notice for the 24th AGM has been despatched to shareholders of the Company on 27 April 2021 which is more than 28 days prior to the meeting. The additional time given to the shareholders allows them to make the necessary arrangements to attend and participate in person or through their corporate representatives and/or proxies. It also enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the AGM.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All the Board members attended the 23rd AGM of the Company held on 30 July 2020. The Chairman presides over the AGM and where appropriate, directs shareholders' queries to the Chairman of AC, NC and RC respectively during the meeting. The Company uploaded the outcome of AGM on the Company's website at www.advancecon.com.my as soon as practicable after the conclusion of the said meeting.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The location of the General Meetings has always been held at strategic location at Petaling Jaya, which is easily accessible by the shareholders. The Company does not have a large number of shareholders and as such is not considering leveraging on the technology to facilitate voting in absentia and remote shareholders participation at General Meetings. The Board is guided by the provision of the Constitution to facilitate proxy voting at all general meetings, which allows shareholders to cast their votes if they are unable to attend the relevant general meetings. Notice of general meeting and circular to shareholders will contain the relevant information pertaining to the resolutions to be tabled and shareholders may contact the Company for clarification by contacting the personnel whose email and telephone number are published at the Company's website.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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