

# Annual Report & CG Report

## ADVANCECON HOLDINGS BERHAD

**Annual Report for Financial Year Ended** 31 Dec 2019

**Subject** Annual Report & CG Report - 2019

Please refer attachment below.

### Attachments

[Advancecon Holdings Berhad - Corporate Governance Report 2019.pdf](#)  
434.3 kB

[Advancecon Holdings Berhad - Annual Report 2019.pdf](#)  
1.3 MB

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### Announcement Info

<b>Company Name</b>	ADVANCECON HOLDINGS BERHAD
<b>Stock Name</b>	ADVCON
<b>Date Announced</b>	29 Jun 2020
<b>Category</b>	Document Submission
<b>Reference Number</b>	DCS-29062020-00055

# ANNUAL REPORT 2019



# **ADVANCECON**

## **ADVANCECON HOLDINGS BERHAD**

(Registration No. 199701011469 (426965-M))

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## ABOUT **ADVANCECON**

# VISION & MISSION

## 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.



ABOUT ADVANCECON (CONT'D)

# CORE VALUES

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

## **Team Work**

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.





## CORPORATE INFORMATION

### BOARD OF DIRECTORS

<b>Yeoh Chong Keat</b>	Independent Non-Executive Chairman
<b>Dato' Phum Ang Kia</b>	Executive Director/Group Chief Executive Officer
<b>Lim Swee Chai</b>	Executive Director/Deputy Group Chief Executive Officer
<b>Ir. Yeo An Thai</b>	Executive Director/Group Chief Operating Officer
<b>Tung Kai Hung</b>	Executive Director/Operations Director of Advancecon Infra Sdn Bhd
<b>Mohd Zaky bin Othman</b>	Independent Non-Executive Director
<b>Fathi Ridzuan bin Ahmad Fauzi</b>	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/  
LS 0009760)

### REGISTERED OFFICE

Suite 10.02, Level 10, The Gardens  
South Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia  
Telephone no.: 03-2298 0263  
Facsimile no.: 03-2298 0268

### 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](http://www.advancecon.com.my)  
E-mail: [info@advancecon.com.my](mailto: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

### 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](http://www.advancecon.com.my)

### LISTING DATE

10 July 2017

### REGISTRATION NO.

199701011469 (426965-M)

## CORPORATE STRUCTURE

# ADVANCECON

ADVANCECON HOLDINGS BERHAD

(199701011469 (426965-M))



### CONSTRUCTION

100% SUBSIDIARY

- ADVANCECON INFRA SDN. BHD.
- ADVANCECON MACHINERY SDN. BHD.
- INSPIRASI HEBAT SDN. BHD. <sup>(1)</sup>
- SK-II TIPPER TRUCK SERVICES SDN. BHD. <sup>(1)</sup>

30% ASSOCIATED  
COMPANY

- ADVANCECON (SARAWAK) SDN. BHD.



### PROPERTY INVESTMENT

100% SUBSIDIARY

- ADVANCECON PROPERTIES SDN. BHD.



### LARGE SCALE SOLAR & NET ENERGY METERING

100% SUBSIDIARY

- ADVANCECON SOLAR SDN. BHD.

Notes:-

<sup>(1)</sup> In the process of Member's Voluntary Winding Up.

## DIRECTORS' PROFILE



02

01

03

01

**YEOH CHONG KEAT**  
Independent Non-  
Executive Chairman

02

**MOHD ZAKY BIN  
OTHMAN**  
Independent Non-  
Executive Director

03

**FATHI RIDZUAN BIN  
AHMAD FAUZI**  
Independent Non-  
Executive Director



DIRECTORS' PROFILE (CONT'D)



04

**DATO' PHUM ANG KIA**  
Executive Director and  
Group Chief Executive  
Officer

05

**LIM SWEE CHAI**  
Executive Director and  
Deputy Group Chief  
Executive Officer

06

**IR. YEO AN THAI**  
Executive Director and  
Group Chief Operating  
Officer

07

**TUNG KAI HUNG**  
Executive Director

## DIRECTORS' PROFILE (CONT'D)

**YEOH CHONG KEAT**

Independent  
Non-Executive Chairman

Malaysian  
Male, 62



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, Kuala Lumpur as Audit Supervisor and subsequently transferred to the Tax Division of Deloitte and became a Tax Manager. During his tenure with these 2 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 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

## DIRECTORS' PROFILE (CONT'D)

Date of Appointment:  
09 April 1997

**Academic / Professional Qualification & 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 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 40 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

**DATO' PHUM ANG KIA**

Executive Director and  
Group Chief Executive Officer

Malaysian  
Male, 62



## DIRECTORS' PROFILE (CONT'D)

**LIM SWEE CHAI**

Executive Director and  
Deputy Group Chief Executive Officer

Malaysian  
Male, 64



Date of Appointment:  
09 April 1997

Academic / Professional Qualification:  
Diploma in Technology (Building) from Tunku Abdul Rahman College (1981)

Working Experience:  
Having more than 38 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 B 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

## DIRECTORS' PROFILE (CONT'D)

Date of Appointment:  
01 August 2016

### Academic / Professional Qualification:

- 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 20 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

### IR. YEO AN THAI

Executive Director and  
Group Chief Operating Officer

Malaysian  
Male, 48





## DIRECTORS' PROFILE (CONT'D)

**TUNG KAI HUNG, PETER**

Executive Director

Malaysian  
Male, 57

## Date of Appointment:

01 August 2016

## Academic / Professional Qualification:

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

## Working Experience:

In 1999, Mr Peter 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 Peter 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 30 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

## DIRECTORS' PROFILE (CONT'D)

Date of Appointment:  
01 August 2016

Academic / Professional Qualification:

- 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 and stockbroking operations. Apart from being an independent consultant for Esperanza Management Advisors, presently, he is the Group Chief Executive Officer of Pradotec Corporation Sdn Bhd.

Directorships of other Public Listed Companies:

- Jiankun International Berhad
- 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

**FATHI RIDZUAN BIN AHMAD FAUZI**

Independent  
Non-Executive Director

Malaysian  
Male, 55



## DIRECTORS' PROFILE (CONT'D)

**MOHD ZAKY BIN OTHMAN**

Independent  
Non-Executive Director

Malaysian  
Male, 63



Date of Appointment:  
01 August 2016

**Academic / Professional Qualification:**

- 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 10 years. In 1995, he returned to Malaysia and joined Keretapi Tanah Melayu Berhad ("KTMB") where he spent approximately 18 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 30 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 (5) years and has had no public sanction or penalties imposed by any relevant regulatory bodies during the financial year

## KEY SENIOR MANAGEMENT

**Teh Heng Wee**, is our Group Chief Financial Officer. He is responsible to lead and oversee the entire financial management and corporate finance of our Group, which include capital raising, financing, treasury, cash flow management, statutory financial reporting as well as risk management.

He graduated with a Bachelor of Accounting & Financial Management with Honours Degree from the University of Sheffield, United Kingdom in 2002. He has been a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom since 2010 and a member of the Malaysia Institute of Accountants since 2014.

He has garnered more than 16 years of experience in financial management. He began his career in the Accounts Department of Bina Goodyear Berhad. After 7 years of various exposures in the commercial environment, he joined Crest Builder Holdings Berhad as Risk Manager primarily involved in a Public Private Partnership deal. He then joined Advancecon Group as Financial Controller in 2010 where he planned and executed the Group's financial strategies/financing needs to firmly support its growth. He was promoted to Chief Financial Officer in 2015 and was instrumental in the Initial Public Offering of Advancecon Holdings Berhad.

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 (5) years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2019.

### **TEH HENG WEE**

Group Chief Financial Officer

Malaysian  
Male, 40



## KEY SENIOR MANAGEMENT (CONT'D)

**PUAH KIAN YEW**

Division General Manager -  
Earthworks

Malaysian  
Male, 44



**Puah Kian Yew**, is our Division General Manager - Earthworks. He is responsible for the planning, coordination and the operations of all heavy machinery and equipment of our Group. He has more than 17 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 a 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 project execution and management of construction projects.

In 2010, Advancecon Group was established pursuant to an internal reorganisation exercise undertaken whereby he assumed the role of Project Manager and was subsequently promoted to Senior Manager of Production and Operation in 2012. He was then promoted to General Manager of Production and Operation in 2015. He is now the Division General Manager - Earthworks.

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 (5) years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2019.



## KEY SENIOR MANAGEMENT (CONT'D)

**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 20 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 University 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 an 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 a 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 reorganisation exercise undertaken whereby he assumed the role of Senior Project Manager before he was promoted to General Manager of Project Management in 2015. He is now the Division General Manager - Infrastructure and Highway.

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 (5) years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2019.

**LIM KOK TIONG**

Division General Manager -  
Infrastructure and Highway

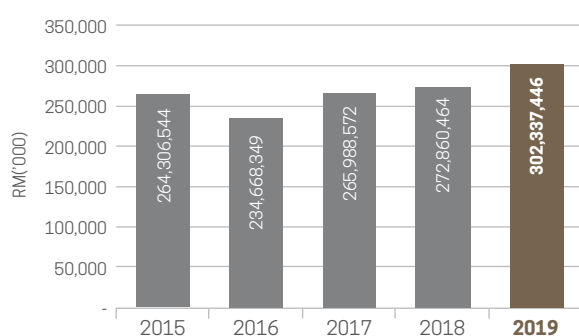
Malaysian  
Male, 47



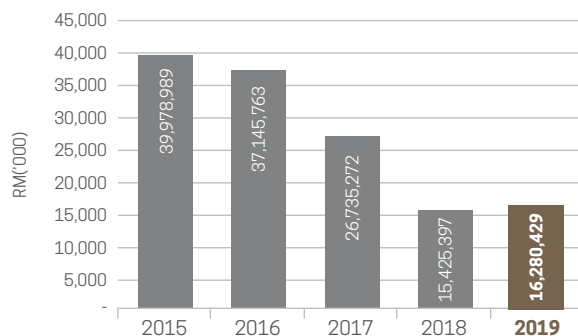
## FINANCIAL HIGHLIGHTS

Financial Year Ended 31 December	2019 RM	2018 RM	2017 RM	2016 RM	2015 RM
<b>Profitability</b>					
Revenue	<b>302,337,446</b>	272,860,464	265,988,572	234,668,349	264,306,544
Profit before taxation	<b>16,280,429</b>	15,425,397	26,735,272	37,145,763	39,978,989
Profit after taxation	<b>10,825,180</b>	10,618,139	18,463,080	26,447,322	29,940,274
<b>Key Balance Sheet Data</b>					
Total assets	<b>409,980,550</b>	411,354,603	368,677,637	295,887,953	267,274,272
Total equity	<b>191,925,420</b>	181,986,190	174,607,890	105,620,629	93,673,307
Total borrowings	<b>128,506,997</b>	134,422,414	108,203,821	85,350,963	82,757,704
Issued share capital	<b>403,928,000</b>	402,079,000	402,079,000	312,079,000	1,248,316
<b>Share Information</b>					
Earnings per share (sen)	<b>2.68</b>	2.64	5.18	8.47	2,398.45
Net assets per share attributable to owners of the Company	<b>0.48</b>	0.45	0.43	0.34	75.04
Gross gearing ratio (times)	<b>0.67</b>	0.75	0.62	0.81	0.88
Return on equity (%)	<b>6%</b>	6%	11%	25%	32%

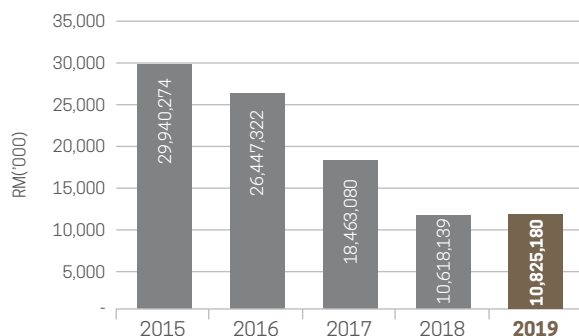
REVENUE



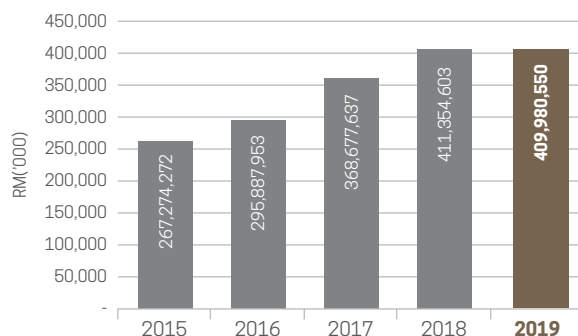
PROFIT BEFORE TAXATION



PROFIT AFTER TAXATION



TOTAL ASSETS



## MANAGEMENT DISCUSSION & ANALYSIS

Dear shareholders,

In 2019, the Malaysian economy growth moderated to 4.3% year-on-year (“y-o-y”) (2018: 4.7%) mainly supported by higher private spending amidst weaker exports and disruptions in cross-border supply chains especially in the commodities sector.

In terms of the construction sector, according to the Department of Statistics Malaysia, the sector recorded a mere 0.6% y-o-y growth (2018: 5.1%) or RM 146.4 billion measured in value of work completed (2018: RM 145.5 billion). The growth was mainly contributed by ongoing civil engineering activities, the residential sub-sector, special trade sub-sectors such as solar plant and petrochemical plant construction. The non-residential sub-sector however remained in contraction.

This was not entirely surprising, given the fact that long-term recovery of the sector is underpinned by the implementation of the country’s mega infrastructure projects which were either cancelled, postponed or renegotiated after the government change in 2018. Only as recent as second half of 2019, the news regarding the revival of several mega projects namely, the East Coast Rail Link or ECRL and Bandar Malaysia were announced. However, the pace in which the related contract award is subdued.

Against such backdrop and despite the challenges in our operating environment, Advancecon has yet again proved its competitiveness and inherent resilience in the sector we are serving. Our successes in 2019 in securing several new contracts and the improved financial performance achieved from our construction division are testament to our robust and agile business model.

To provide an overview of our operations and financials, we hereby disclose the financial statements and Annual Report for the financial year ended 31 December 2019 (“FY2019”).

### OPERATIONS REVIEW

#### Optimism and Encouraging Progress Made in Major Projects

We remained resolute in delivering our projects within the agreed quality standard and timeframe in accordance to our contract obligations. During financial year 2019, we handed-over a total of five projects to our clients located in Setia Ecohill 2, Tropicana Aman, Alam Perdana, Bandar Bukit Raja and Eco Grandeur.

Up to end FY2019, the sizable site handovers for both West Coast Expressway (“WCE”) contracts representing more than 50% of our outstanding order book of approximately RM 763 million had undoubtedly stirred up our feeling of optimism moving forward as the handovers signified the end of the persistent operational hindrance we faced in the past.

% of Site Handovers	WCE Section 7A, Assam Jawa Interchange to Tanjung Karang Interchange (“WCE7A”)	WCE Section 1, Banting Interchange to South Klang Valley Expressway Interchange (“WCE1”)
FY2019	98.7%	84.9%
FY2018	23.0%	67.0%

## MANAGEMENT DISCUSSION &amp; ANALYSIS (CONT'D)

In addition, we are making steady progress in our key projects as highlighted below:

Description	FY2019 <sup>1</sup> % Completed	FY2018 <sup>1</sup> % Completed
WCE7A	20.9%	2.9%
WCE1	42.9%	32.3%
Pan Borneo Sarawak (from Sg Awik Bridge to Bintangor Junction)	58.5%	40.2%
South Klang Valley Expressway (E26:SKVE)	72.9%	55.8%
Package 2E Earthworks and Appurtenance Works for Phase 2, Serenia City	58.5%	N/A <sup>2</sup>
Package 2D, Service Reservoir (8.0 MLD) and Appurtenance Works for Phase 2, Serenia City	72.9%	N/A <sup>2</sup>

<sup>1</sup> Based on certified work done over estimated contract sum

<sup>2</sup> Project won in FY2019

**Strengthened Construction Order Book and Reinforced Presence in Sarawak**

Amid the challenges, we were further supported from our repeat clients during FY2019 as we successfully secured a total of RM 211.4 million worth of new contracts.

Out of the RM 211.4 million new contracts, an estimated RM 94.4 million or 44.7% was contributed by new market segment in East Malaysia, in particular Sarawak. These contracts were sourced from the Upper Rajang Development Agency or URDA and such feat will definitely inspire us to reinforce our presence in the state.

Other notable mentions include contracts from Setia Alamsari Sdn Bhd and Sime Darby USJ Development Sdn Bhd worth RM 83.9 million and RM 21.2 million respectively.

**FINANCIAL OVERVIEW**

We are proud to report another set of commendable results for FY2019, despite the less than favourable operating environment. The Group's earnings during the year were supported by higher progress billings and steady progress from its ongoing construction sites.

Overall, the Group posted a record revenue of RM 302.3 million and a better profit before tax ("PBT") of RM 16.3 million, representing an increase of 10.8% and 5.5% respectively y-o-y despite the absence of gain from disposal of a leasehold property as recorded in FY2018. The improved performance was mainly attributable to the completion and successful handovers of five projects to our clients during FY2019 versus only one in the previous year. The said completed projects were located in Setia Ecohill 2, Tropicana Aman, Alam Perdana, Bandar Bukit Raja and Eco Grandeur. In addition, the fall in average diesel price during the year also facilitated the enhanced PBT.

The Group's profit after tax ("PAT") increased 1.9% to RM10.8 million y-o-y. The adjusted core PAT for FY2019 expanded by a healthy 25.4% to RM 11.7 million versus RM 9.3 million in FY2018 after taking into account the charge for Employee Share Options Scheme and the gain from disposal of a leasehold property in the previous year.

## MANAGEMENT DISCUSSION &amp; ANALYSIS (CONT'D)

The Group is committed to improving its working capital and minimising its financial risks by exercising prudent financial management practices in the best interest of the Group as a whole. Improvement in this area is evidenced by the financial ratios shown below:

Financial Ratio	FY2019	FY2018
Current Ratio	1.48 times	1.50 times
Gross Gearing	0.67 times	0.75 times
Net Gearing	0.61 times	0.67 times
Total Equity	RM 191.93 million	RM 181.98 million
Net Asset Per Share	RM 0.48	RM 0.45

In appreciation of shareholders' loyalty to and continued support for the Group, the Board of Directors had declared an interim dividend of 0.6 sen per share, with a total payout of RM2.4 million distributed to shareholders on 30 December 2019. The dividend payout represented 22% of the Group's FY2019 PAT in excess of the Group's minimum dividend policy of 20%.

**MARKET OUTLOOK**

The first quarter of 2020 certainly proved to be a tumultuous period with the unexpected change in the federal government in the country and the COVID-19 pandemic affecting us and the rest of the world. The central bank recently forecasted Malaysia's Gross Domestic Product to contract in the range of +0.5% and -2.0% for year 2020 (2019: 4.3%) mainly due to restraining measures taken such as the Movement Control Order locally and lockdown directives by governments around the world to contain the COVID-19 outbreak. The result is certain to disrupt and suppress a wide range of economic activities during 2020.

In view of such adverse situation, the government had so far unveiled three stimulus packages worth RM 20 billion, RM 250 billion and RM 10 billion with the aim to mitigate the economic impact of COVID-19. Besides that, the central bank had reduced the Overnight Policy Rate by 50 basis points since 2019 to support the local economy.

On 16 March 2020, the government announced the imposition of the Movement Control Order ("MCO") for a period from 18 March 2020 to 14 April 2020 which was subsequently extended and replaced by Conditional MCO ("CMCO") from 4 May 2020 to 9 June 2020. During the duration of MCO the Group's operations were halted in compliance with the MCO. However, the Group had gradually resume operations during early stages of the CMCO.

Against such a backdrop, we will continue to ensure steady progress of our existing projects on hand, worth an approximately RM 763 million that will provide earnings visibility for the next 24 months. We will remain active in selective tenders for some of the country's mega infrastructure projects and township related works from our repeat customers.

Moreover, we target to build a stream of recurring income as system owner and be supported by a strategic partner in the renewable energy sector, in particular solar energy. This strategy has begun to work out with our first project located in Senawang, Negeri Sembilan.

We are certainly mindful that the year 2020 will present an unprecedented challenge for most businesses. Therefore, the Group will strive to continuously deliver positive returns to all our stakeholders through hard work, staying ahead of our competitors, implementing the right strategies, investing in leaders and technology to bolster added value to our business.

**APPRECIATION**

Our ability to consistently deliver positive financial performance and returns to all our stakeholders would not be possible without the outstanding contributions from each and every one of our employees.

Last but not least, on behalf of the management, I would like to express our sincere gratitude to the Board of Directors and shareholders for the unwavering commitment and support for us.

Wishing all of you the best of health.

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 CG 2017 (“MCCG”) during the financial year ended 31 December 2019 (“FY2019”). 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](http://www.advancecon.com.my) under the Investor Relations section as well as via an announcement on the website of Bursa Malaysia. 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 which outlines the duties and responsibilities and matters reserved for the Board in discharging its duties. The Board 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)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****1. Board Responsibilities (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 Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Chairman of the respective 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 Board 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. Board Charter**

The Board's functions are governed and regulated by the Board Charter, Constitution of the Company and the various applicable legislation, MMLR and other regulations and codes. The Board Charter can be found on the Company's website at [www.advancecon.com.my](http://www.advancecon.com.my). The Board 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](http://www.advancecon.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****1. Board Responsibilities (Cont'd)****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.

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 of Conduct and Ethics 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](http://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 6 to 14 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 will look to appoint 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 FY2019, the Board consists of seven male members of which 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 & above
Number of Directors	1	2	4

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****2. Board Composition (Cont'd)****a. Balance, Diversity and Skills (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/her 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 ensure 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 FY2019, none of the INED had served the Company exceeding a cumulative term limit of nine years.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****2. Board Composition (Cont'd)****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 assisted by the NC undertakes 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 upgrade 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.

**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 FY2019, 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 FY2019, 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 FY2019
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 required from the Management or the Company Secretary well ahead of the meeting date, where necessary, in order to be properly briefed before each meeting. Urgent papers may be presented for tabling at the Board meetings under supplemental agenda.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)****2. Board Composition (Cont'd)****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	<ul style="list-style-type: none"> <li>An Invitation: Launch of the SC's Corporate Governance Monitor 2019</li> <li>National Tax Conference 2019</li> <li>Seminar Percukaian Kebangsaan 2019</li> <li>Evaluating Effective Internal Audit Function- Audit Committee's Guide on How To</li> </ul>
Dato' Phum Ang Kia	<ul style="list-style-type: none"> <li>The Global Leadership Summit</li> <li>Council of the Marble Star</li> <li>Effective Investor, Marketing, Stakeholder Motivation &amp; Fund-Raising</li> <li>Vistage In Mandarin CEO Talk 2019</li> <li>Enhancing Corporate Governance by Understanding Legal Liabilities</li> </ul>
Lim Swee Chai	<ul style="list-style-type: none"> <li>Council of the Marble Star</li> <li>Enhancing Corporate Governance by Understanding Legal Liabilities</li> </ul>
Ir. Yeo An Thai	<ul style="list-style-type: none"> <li>ISO 14001:2015 Environmental Management System (EMS) Awareness Training</li> <li>The Global Leadership Summit</li> <li>Council of the Marble Star</li> <li>Effective Investor, Marketing, Stakeholder Motivation &amp; Fund-Raising</li> <li>Vistage In Mandarin CEO Talk 2019</li> <li>Enhancing Corporate Governance by Understanding Legal Liabilities</li> </ul>
Tung Kai Hung	<ul style="list-style-type: none"> <li>ISO 14001:2015 Environmental Management System (EMS) Awareness Training</li> <li>Conference on Current Contract Administration Practices in the Malaysia Construction Industry and Potential Solution</li> <li>Enhancing Corporate Governance by Understanding Legal Liabilities</li> </ul>
Mohd Zaky Bin Othman	<ul style="list-style-type: none"> <li>Governance Symposium 2019</li> <li>Audit Committee Conference 2019</li> <li>Special Invitation to Engagement Session with Audit Committee members on Integrated Reporting</li> <li>An Invitation: Launch of the SC's Corporate Governance Monitor 2019</li> <li>Demystifying the Diversity Conundrum: The Road to Business Excellence</li> <li>Nominating Committee's Role to Achieve Effective Stewardship</li> <li>Enhancing Corporate Governance by Understanding Legal Liabilities</li> <li>Evaluating Effective Internal Audit Function- Audit Committee's Guide on How To</li> </ul>
Fathi Ridzuan Bin Ahmad Fauzi	<ul style="list-style-type: none"> <li>Nominating Committee's Role to Achieve Effective Stewardship</li> <li>Enhancing Corporate Governance by Understanding Legal Liabilities</li> <li>Session on Corporate Governance &amp; Anti-Corruption</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (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 FY2019 by the Company and the Group are as follows:

Director	Company					Subsidiaries				
	Directors' fees (RM)	Salaries (RM)	Bonus (RM)	Other benefits (RM)	Defined contribution plan (RM)	Salary (RM)	Bonus (RM)	Other benefits (RM)	Defined contribution plan (RM)	Total (RM)
Yeoh Chong Keat	92,400			3,000						95,400
Dato' Phum Ang Kia		1,033,200	441,000	593	88,452					1,563,245
Lim Swee Chai		839,700	358,500	593	71,922					1,270,715
Ir. Yeo An Thai		683,637	285,000		115,320					1,083,957
Tung Kai Hung						387,600	165,500		66,372	619,472
Mohd Zaky Bin Othman	66,000			3,500						69,500
Fathi Ridzuan Bin Ahmad Fauzi	66,000			4,000						70,000

## 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 literate in financials 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 FY2019 is set out in pages 43 to 45 of this Annual Report.

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 FY2019.

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

The AC had in May 2020 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 FY2019. The AC was also satisfied that the provision of the non-audit services by Crowe for FY2019 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 May 2020 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 FY2020.

**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:-

- (i) Reviewed and approved the Internal Audit Plan for FY2019 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### 1. AC (Cont'd)

##### b. Assessment of Internal Auditor (Cont'd)

- (ii) 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.
- (iii) Undertook assessment of the performance of the internal auditors and reviewed its effectiveness of the audit processes.

#### 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 identified significant risks and ensured the implementation of appropriate system to manage the overall risk exposure of the Group, whilst the adequacy and effectiveness of the internal controls were reviewed by the AC in relation to internal audit function of the Group.

The Statement on Risk Management and Internal Control which provides an overview of the state of the internal control and risk management within Advancecon Group, set out in pages 32 to 34 of this Annual Report.

### 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 engage all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Bursa Malaysia's website, 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 take 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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

**PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)****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 MCCG.

The Board takes note that the presence of all Directors will provide opportunity for shareholders to effectively engage 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-Third 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-Second AGM held on 20 June 2019 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 Corporate Governance Overview Statement is issued in accordance with a resolution of the Board dated 20 May 2020.

# 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 ("Listing Requirements"), the Board of Directors ("the Board") is pleased to present the Statement on Risk Management and Internal Control of 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 ("MCCG")

## BOARD RESPONSIBILITY

The Board acknowledges and affirms its overall responsibility for the Group's risk management and internal control system within the Group and to continuously review and evaluate its adequacy and effectiveness. 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 business.

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 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 Management is to implement the Board's policies and guidelines on risks and controls, to identify and evaluate the risks faced and to operate a suitable system of internal controls to manage these risks.

## RISK MANAGEMENT PROCESS

Advancecon Risk Management Framework which was developed based on ISO 31000:2009 was adopted on 17 November 2017. It has been renamed Enterprise Risk Management ("ERM") which is in line with the framework of The Institute of Internal Auditors of Malaysia and Committee of Sponsoring Organisations ("COSO"). The ERM adopted comprises 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 (IA).



## 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, the committees which are established are the Audit Committee, Nomination Committee, Remuneration Committee, RMSC and ESOS 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 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 for excellence and continuous quality improvement.

- **Internal Audit**

The internal audit function carries out quarterly internal audit reviews to ascertain the adequacy of and to monitor operational effectiveness, compliance with applicable laws and regulations, safe guarding of assets and 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 audits are conducted by the 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.

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

### INTERNAL AUDIT FUNCTIONS

The Internal Audit function has been outsourced to an independent external service provider, Sterling Business Alignment Consulting Sdn Bhd to provide independent assurance to the Audit Committee.

The Internal Auditors adopt the risk-based internal audit approach to develop its audit plan which addresses the critical business processes, internal control gaps, effectiveness and adequacy of the existing state of internal control and recommend possible improvements to the internal control process.

On a quarterly basis, the Internal Auditors report to the Audit Committee on areas for possible improvement, and the Management's response to such recommendations. Follow-up audits were also carried out and the outcome was reported to the AC to ensure weaknesses identified have been or are being addressed.

During the financial year, the Internal Auditors reviewed the adequacy and the integrity of the Group's key functions' internal control system including system for compliance with applicable laws, regulations, rules, directives and guidelines.

For the financial year ended 31 December 2019, the total cost incurred for the outsourced internal audit function was RM56,000.

### ASSURANCE FROM THE MANAGEMENT

In line with the Guidelines, the Group Chief Executive Officer and Group Chief Financial Officer 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 Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report. their reviews were 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 and practices 9.1 and 9.2 of the Malaysian Code on Corporate Governance 2017 to be set out, 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 Risk Management & Sustainability Committee has 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 20 May 2020.

## SUSTAINABILITY STATEMENT

We are proud to present the Sustainability Statement of Advancecon Holdings Berhad (or “the Group”) for a third consecutive year. The aim of this statement is primarily to illustrate on our commitment to sustainability and the progress we have made since last year in the context of Economic, Environmental and Social (“EES”).

The scope of reporting includes all on-going activities within the Group and its projects across Malaysia for the period between 1 January 2019 to 31 December 2019 unless otherwise stated.

### OUR SUSTAINABILITY GOVERNANCE STRUCTURE

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 in the context of the EES and report the progress of these key areas through the collection and monitoring of data.



### OUR KEY AREAS IN THE CONTEXT OF EES



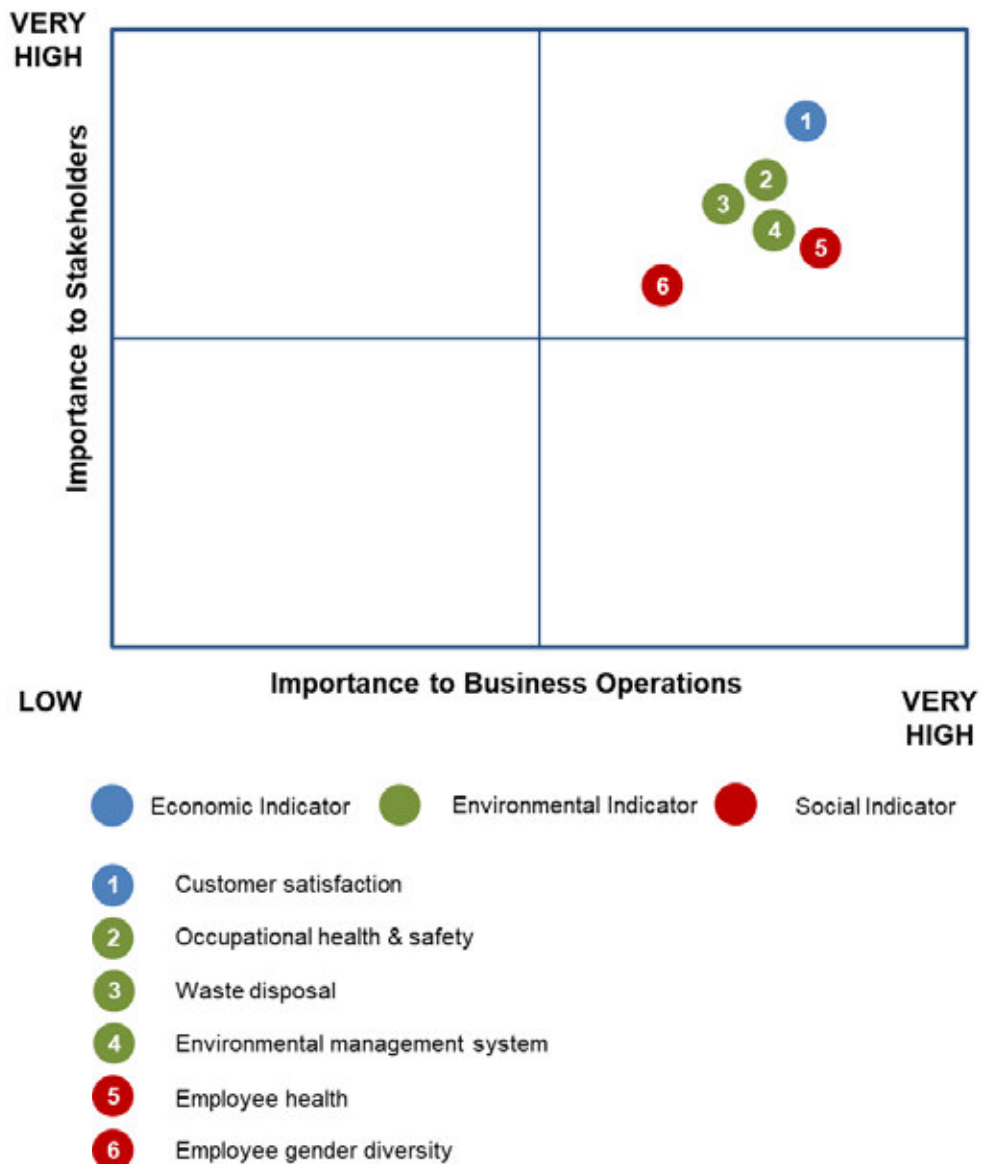
## SUSTAINABILITY STATEMENT (CONT'D)

In 2019, the Group emphasised these six (6) key areas:

- Customer satisfaction;
- Occupational health & safety;
- Waste disposal;
- ISO 14001:2015 environmental management system;
- Employees health; and
- Employee gender diversity.

## MATERIALITY ASSESSMENT

The diagram below indicates our materiality assessment for the six (6) key areas:



## SUSTAINABILITY STATEMENT (CONT'D)

**ECONOMIC****Customer satisfaction**

The Group undertakes customer satisfaction survey every year to ensure customer's needs are fulfilled accordingly and such survey will allow us to ascertain if there is any room for further improvement.

The survey results this year showed positive response and thus encouraged us to perform at a better level next year.

Description	2018	2019
Total projects surveyed	11	12
Total on-going / completed	7 / 4	8 / 4
Highest score	93%	85%
Lowest score	70%	68%

**ENVIRONMENTAL****Occupational Health & Safety ("OHS")**

We have established an OHS policy and commitment which state that:

- To comply with all applicable legislations as far as reasonably practical to avoid harm to all personnel involved and to prevent damages to property or loss of asset due to accident;
- Management will consider health and safety matters equally important to all other business matters in its decision-making process;
- All employees shall strictly adhere to and be well-informed of the importance of OHS by way of proper training, instruction, supervision, awareness of roles / responsibilities and regular site briefings; and
- All accidents / near misses shall be reported within given timeframe and corrective action shall be taken to ensure no future occurrence.

## SUSTAINABILITY STATEMENT (CONT'D)

During 2019, three (3) of the Group's project were assessed under the Safety and Health Assessment System in Construction ("SHASSIC") by Construction Industry Development Board or CIDB and the outcomes were as follow:

Project	SHASSIC Score	SHASSIC Rating
Package 2E Earthworks, Serenia City	92%	★★★★★
South Klang Valley Expressway ("SKVE"), Tanjung Dua Belas	92%	★★★★★
West Coast Expressway, Section 1 (Banting to SKVE Interchange)	91%	★★★★★





## SUSTAINABILITY STATEMENT (CONT'D)

**Waste Disposal**

We consistently strive to improve the management of schedule waste generated as a result of our on-going activities. The Group's OHS has been providing awareness and constantly monitoring the management of schedule waste.

The table below showed the total quantity and progress of our schedule waste management:

Types of Scheduled Waste (EQA 1974)	Quantity (kg) FY2019	Quantity (kg) FY2018	Variance (%)
Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes (SW 409)	328	1,180	-72%
Rags, plastics, papers or filters contaminated with scheduled wastes (SW 410)	9,474	2,752	244%
Spent lubricating oil (SW 305)	41,850	15,127	176%
Spent hydraulic oil (SW 306)	2,600	5,950	-56%
Waste from electrical and electronic assemblies containing components (SW 110)	780	290	168%

**Environmental Management System**

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

We have established a Corporate Environmental Policy and commitment which state that:

- To comply with all applicable legislation as far as 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 situation of environmental pollution to air, land and / or water through strict conformity to regulatory requirements at all time.

## SUSTAINABILITY STATEMENT (CONT'D)

## SOCIAL

## Employees Health Screening

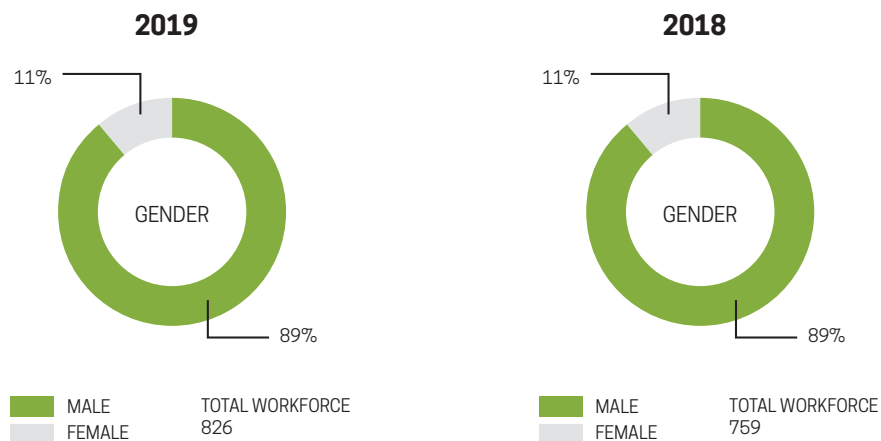
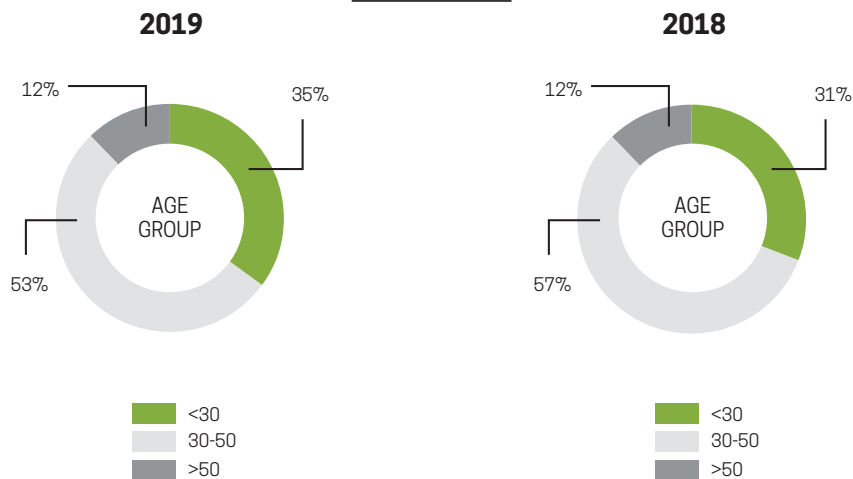
We believe that employees are critical to the success of the Group more so when employees are in good physical and mental health to sustain the Group's growth path.

The Group has been offering its employees annual comprehensive health screening and 38 employees are entitled for medical check-up for year 2019 (2018: 40).

## Employee Gender Diversity

The Group is supportive of having a good mix of employees both in terms of age group and gender as such strategy will allow better synergy in terms of balanced views or perspectives in decision-making. Moreover, it cultivates a more competitive and effective working environment when equal opportunities are given across a broader spectrum of stakeholders.

Hence, the Group continuously strive to promote and achieve such objectives.

TOTAL WORKFORCEAGE GROUP

## SUSTAINABILITY STATEMENT (CONT'D)

**Society Contributions**

As we were in our third year of listing, we continue to support BURSA Bull Charge event and this time the event was held on 14 November 2019.

Our contribution towards the Bursa Bull Charge event was meant for underprivileged homes and orphanages via Yayasan BURSA Malaysia.

Besides, the Group donated a total of RM 215,850 for various charitable organisations in year 2019.

We are proud of having the privilege to serve various segments of the community towards providing social empowerment and helping to make a positive difference for people across all walks of life.



## SUSTAINABILITY STATEMENT (CONT'D)

## Engaging Our Stakeholders

We continuously engage closely with our stakeholders on pertinent issues that helps us to make better decisions, communicate effectively with our stakeholders and eventually assuring the needs of stakeholders are met from time to time.

Stakeholders	Issues	Methods of Engagement	Frequency
Employees	<ul style="list-style-type: none"> <li>Remuneration &amp; benefits</li> <li>Training &amp; development</li> <li>Workplace OHS</li> </ul>	<ul style="list-style-type: none"> <li>Meetings with employees</li> <li>Performance appraisal</li> <li>Training needs analysis</li> <li>Team building</li> <li>Safety walkabout audit</li> <li>OHS committee meeting</li> </ul>	<ul style="list-style-type: none"> <li>Throughout the year</li> <li>Annually</li> <li>Annually</li> <li>Annually</li> <li>Monthly</li> <li>Quarterly</li> </ul>
Investors / Shareholders	<ul style="list-style-type: none"> <li>Business performance</li> <li>Growth / expansion plan</li> <li>Compliance</li> <li>Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Annual general meeting</li> <li>Annual report</li> <li>Quarterly results announcement</li> <li>Investors' briefing</li> <li>Press release</li> <li>One-on-one / group meeting with analysts and fund managers</li> </ul>	<ul style="list-style-type: none"> <li>Annual</li> <li>Annual</li> <li>Quarterly</li> <li>Twice yearly</li> <li>Throughout the year (as and when required)</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Quality &amp; workmanship</li> <li>Timely performance delivery</li> <li>Professionalism &amp; responsiveness</li> <li>Effectiveness of Quality Management System</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>Compliance with regulatory requirements</li> <li>Site management such as waste disposal</li> </ul>	<ul style="list-style-type: none"> <li>Site inspections</li> </ul>	<ul style="list-style-type: none"> <li>Throughout the year (as and when required)</li> </ul>

## 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 2019 ("FY2019").

### AC Composition and Attendance

The AC comprises of 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 of 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 FY2019, the AC met five 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	5 / 5
Yeoh Chong Keat	5 / 5
Fathi Ridzuan Bin Ahmad Fauzi	5 / 5

During the FY2019, 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 TOR of the AC.

The TOR of the AC is available for reference on the Company's website at [www.advancecon.com.my](http://www.advancecon.com.my).

### Summary of Activities of the AC during the FY2019

During the FY2019, 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 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.

## AUDIT COMMITTEE REPORT (CONT'D)

**2. Internal Audit**

- (a) Reviewed and approved the Internal Audit Plan for FY2019 proposed by the Internal Auditors ("Sterling") to ensure the adequacy of the scope, 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.

**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 audit.
- (c) Reviewed the draft Audited Consolidated Financial Statements for the financial year ended 31 December 2018 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 and independence of the External Auditors and recommended to the Board for the reappointment and remuneration of the External Auditors.

**4. Related Party Transactions ("RPT")**

- (a) Reviewed and recommended the RPT presented by Management to the Board on 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 FY2019, the AC noted that there were no RRPT within the Group.

**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 FY2019 was in compliance with the criteria set out in the ESOS By-Laws and by the ESOS Committee.



## AUDIT COMMITTEE REPORT (CONT'D)

**7. Others**

- (a) Reviewed the Discretionary Authority Limit of the Company.

**Training**

During the FY2019, 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 pages 22 to 31 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 Internal Auditors are empowered by the AC to provide objective evaluation of risks and controls in the audited activities to ensure a sound system of internal controls. 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. Greater focus and appropriate review intervals are set for higher risk activities, material internal controls, including compliance with the Company's policies, procedures and regulatory requirements.

During the FY2019, 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 FY2019. 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 FY2019 was RM56,000 (FY2018: RM68,000).

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### IN RESPECT OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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, 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").

The details of the variations of the IPO Proceeds as at 31 December 2019 are as set out below:

	Details of utilisation	Allocation of IPO Proceeds upon listing <sup>(1)</sup> 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 36 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 <sup>(2)</sup>	-	14,090	Within 36 months
ii.	Repayment of bank borrowings	12,500	12,455 <sup>(2)</sup>	(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.

### 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 2019 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

## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

**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 2019 are set out in the table below:

Description	Number of options as at 31 December 2019
Granted during the financial year	20,000,000
Exercised during the financial year	1,849,000
Outstanding options exercisable during the financial year	18,151,000

The total number of options granted to the Executive Directors and Senior Management, and outstanding options under ESOS as at 31 December 2019 are set out in the table below:

For the financial year ended 31 December 2019	Total	Executive Directors	Senior Management	Other eligible employees
Number of shares granted	20,000,000	3,800,000	4,470,000	11,730,000
Number of shares vested	1,849,000	-	1,040,000	809,000
Number of shares outstanding	18,151,000	3,800,000	3,430,000	10,921,000

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

Description	Since commencement up to 31 December 2019
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 financial year ended 31 December 2019 is set out on page 119 of the Annual Report.

# FINANCIAL STATEMENTS

THE REPORT	<b>050</b>	DIRECTORS' REPORT
	<b>055</b>	STATEMENT BY DIRECTORS
	<b>055</b>	STATUTORY DECLARATION
	<b>056</b>	INDEPENDENT AUDITORS' REPORT
	<b>060</b>	STATEMENTS OF FINANCIAL POSITION
	<b>062</b>	STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
	<b>063</b>	STATEMENTS OF CHANGES IN EQUITY
	<b>065</b>	STATEMENTS OF CASH FLOWS
	<b>068</b>	NOTES TO THE FINANCIAL STATEMENTS

## 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 2019.

### PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing management services and hiring of machineries. 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	10,825,180	4,480,510
Attributable to:- Owners of the Company	10,825,180	4,480,510

### DIVIDENDS

Dividend paid by the Company since 31 December 2018 are as follows:-

	RM
<u>In respect of the financial year ended 31 December 2018</u>	
A first interim single-tier dividend of 1 sen per ordinary share, paid on 3 January 2019	4,017,260
<u>In respect of the financial year ended 31 December 2019</u>	
A first interim single-tier dividend of 0.6 sen per ordinary share, paid on 30 December 2019	2,416,602

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 RM85,752,871 to RM86,584,921 by an issuance of 1,849,000 new ordinary shares from the exercise of options under the Company's Employee Share Option Scheme as disclosed in Note 16 to the financial statements which amounted to RM832,050.

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**

As at 31 December 2019, the Company held as treasury shares a total of 1,161,000 of its 403,928,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM339,077. 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 18 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 all known bad debts had been written off 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 further 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.

**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.

## DIRECTORS' REPORT (CONT'D)

### 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

## 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 1.1.2019	Bought	Sold	At 31.12.2019
<b>The Company</b>				
<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	12,875,250	-	4,000,000	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 1.1.2019	Granted	Exercised	At 31.12.2019
<b>The Company</b>				
<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' 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' REPORT (CONT'D)

### 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 EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 41 to the financial statements.

### SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 42 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 143 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 2019 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, Teh Heng Wee, MIA Membership Number: 38286, being the Group Chief Financial 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 143 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  
Teh Heng Wee  
at Kuala Lumpur  
in the Federal Territory  
on this

**Teh Heng Wee**

Before me

**Datin Hajah Raihela Wanchik (W-275)**  
Commissioner for Oaths

# 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 2019 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 143.

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 2019, 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* ("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.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCECON HOLDINGS BERHAD (CONT'D)

### Key Audit Matters (Cont'd)

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

<b>Revenue Recognition for Construction Contracts</b> Refer to Note 29 to the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p>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.</p> <p>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.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>▪ 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;</li> <li>▪ Tested costs incurred to date to supporting documentation such as contractors' claim certificates;</li> <li>▪ 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;</li> <li>▪ Assessed the reasonableness of percentage of completion by comparing to certification by external parties; and</li> <li>▪ Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses.</li> </ul>
<b>Impairment Assessment of Trade Receivables</b> Refer to Note 10 to the financial statements	
<p>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.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> <li>▪ Obtained an understanding of:- <ul style="list-style-type: none"> <li>▪ the Group's control over the receivable collection process;</li> <li>▪ how the Group identifies and assesses the impairment of receivables; and</li> <li>▪ how the Group makes the accounting estimates for impairment.</li> </ul> </li> <li>▪ Reviewed the ageing analysis of receivables and testing the reliability thereof;</li> <li>▪ Reviewed subsequent cash collections for major receivables and overdue amounts;</li> <li>▪ Made inquiries of management regarding the action plans to recover overdue amounts;</li> <li>▪ Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection;</li> <li>▪ Examined other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.; and</li> <li>▪ Evaluating the reasonableness and adequacy of the allowance for impairment recognised.</li> </ul>

## 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.
- 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.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ADVANCECON HOLDINGS BERHAD (CONT'D)

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

- 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, related safeguards.

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

**Chin Kit Seong**  
03030/01/2021 J  
Chartered Accountant

Kuala Lumpur

## STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

		The Group		The Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Investments in subsidiaries	5	-	-	12,864,297	11,209,389
Investment in an associate	6	167,182	-	225,000	30
Property, plant and equipment	7	140,344,831	151,196,756	7,843,283	6,869,174
Investment properties	8	38,661,602	39,222,108	-	-
Other investments		2,994	50,315	-	-
Deferred tax assets	19	160,149	160,149	160,149	160,149
Finance lease receivables	9	3,881,197	2,748,578	-	-
		183,217,955	193,377,906	21,092,729	18,238,742
<b>CURRENT ASSETS</b>					
Contract assets	11	98,904,425	79,097,980	-	-
Finance lease receivables	9	1,869,686	890,840	-	-
Trade receivables	10	63,533,958	66,928,323	-	-
Other receivables, deposits and prepayments	12	10,155,442	25,004,362	73,905	4,091,704
Amount owing by subsidiaries	13	-	-	80,001,052	79,274,972
Amount owing by an associate		116,426	5,288	37,876	3,788
Short-term investments	14	2,029,521	4,194,411	149,695	636,644
Current tax assets		1,357,655	1,509,428	15,865	24,541
Deposits with licensed banks	15	39,629,498	32,637,176	256,362	248,314
Cash and bank balances		9,165,984	7,708,889	1,230,607	276,477
		226,762,595	217,976,697	81,765,362	84,556,440
<b>TOTAL ASSETS</b>		409,980,550	411,354,603	102,858,091	102,795,182

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

STATEMENTS OF FINANCIAL POSITION  
AT 31 DECEMBER 2019 (CONT'D)

	Note	The Group 2019 RM	2018 RM	The Company 2019 RM	2018 RM
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16	86,584,921	85,752,871	86,584,921	85,752,871
Treasury shares	17	(339,077)	(339,077)	(339,077)	(339,077)
Reserves	18	1,815,100	1,116,498	1,815,100	1,116,498
Retained profits		103,864,476	95,455,898	8,634,139	6,570,231
<b>TOTAL EQUITY</b>		<b>191,925,420</b>	<b>181,986,190</b>	<b>96,695,083</b>	<b>93,100,523</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	19	3,792,025	4,909,076	-	-
Long-term borrowings	20	25,493,245	78,790,418	3,887,396	4,216,150
Lease liabilities	21	35,443,821	-	115,071	-
		64,729,091	83,699,494	4,002,467	4,216,150
<b>CURRENT LIABILITIES</b>					
Contract liabilities	11	11,196,440	20,679,138	-	-
Trade payables	24	48,096,523	49,147,250	15,808	15,808
Other payables and accruals	25	26,257,346	15,921,253	1,631,176	1,022,543
Amount owing to subsidiaries	13	-	-	114,664	110,883
Amount owing to an associate		205,799	-	-	-
Dividend payable	26	-	4,017,260	-	4,017,260
Current tax liabilities		-	272,022	-	-
Short-term borrowings	27	47,523,210	51,176,455	330,560	312,015
Lease liabilities	21	18,230,627	-	68,333	-
Bank overdrafts	28	1,816,094	4,455,541	-	-
		153,326,039	145,668,919	2,160,541	5,478,509
<b>TOTAL LIABILITIES</b>		<b>218,055,130</b>	<b>229,368,413</b>	<b>6,163,008</b>	<b>9,694,659</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>409,980,550</b>	<b>411,354,603</b>	<b>102,858,091</b>	<b>102,795,182</b>

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 2019

		The Group		The Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
REVENUE	29	302,337,446	272,860,464	9,305,393	7,941,089
COST OF SALES		(256,718,586)	(232,949,282)	(1,790)	(30,175)
GROSS PROFIT		45,618,860	39,911,182	9,303,603	7,910,914
OTHER INCOME		2,937,221	10,027,133	2,268,896	209,482
		48,556,081	49,938,315	11,572,499	8,120,396
ADMINISTRATIVE EXPENSES		(21,560,572)	(24,046,787)	(6,442,469)	(5,502,133)
OTHER EXPENSES		(3,576,642)	(2,260,533)	(430,249)	(166,838)
FINANCE COSTS		(7,080,650)	(7,762,518)	(213,757)	(177,906)
IMPAIRMENT LOSSES ON FINANCIAL ASSETS		-	(443,050)	-	-
SHARE OF RESULT OF AN EQUITY ACCOUNTED ASSOCIATE	6	(57,788)	(30)	-	-
PROFIT BEFORE TAXATION	30	16,280,429	15,425,397	4,486,024	2,273,519
INCOME TAX EXPENSE	31	(5,455,249)	(4,807,258)	(5,514)	202,334
PROFIT AFTER TAXATION		10,825,180	10,618,139	4,480,510	2,475,853
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		10,825,180	10,618,139	4,480,510	2,475,853
PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		10,825,180	10,618,139	4,480,510	2,475,853
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-					
Owners of the Company		10,825,180	10,618,139	4,480,510	2,475,853
Earnings per share (Sen)					
- Basic	38	2.69	2.64		
- Diluted	38	2.68	2.64		

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

## STATEMENTS OF CHANGES IN EQUITY

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Share Capital RM	Treasury Shares RM	Non- distributable Employee Share Option Reserve RM	Distributable Retained Profits RM	Total RM
The Group	Note					
Balance at 1.1.2018		85,752,871	-	-	88,855,019	174,607,890
Profit after taxation/Total comprehensive income for the financial year		-	-	-	10,618,139	10,618,139
Contribution by and distributions to owners of the Company:						
- Purchase of treasury shares	17	-	(339,077)	-	-	(339,077)
- Recognition of share option expenses	18	-	-	1,116,498	-	1,116,498
- Dividend	32	-	-	-	(4,017,260)	(4,017,260)
Balance at 31.12.2018/1.1.2019		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
Contribution by and distributions to owners of the Company:						
- Recognition of share option expenses	18	-	-	883,502	-	883,502
- Employees' share options exercised	18	832,050	-	(184,900)	-	647,150
- Dividend	32	-	-	-	(2,416,602)	(2,416,602)
Balance at 31.12.2019		86,584,921	(339,077)	1,815,100	103,864,476	191,925,420

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



STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		Share Capital RM	Treasury Shares RM	Non- distributable Employee Share Option Reserve RM	Distributable Retained Profits RM	Total RM
	Note					
<b>The Company</b>						
Balance at 1.1.2018		85,752,871	-	-	8,111,638	93,864,509
Profit after taxation/Total comprehensive income for the financial year		-	-	-	2,475,853	2,475,853
Contribution by and distributions to owners of the Company:						
- Purchase of treasury shares	17	-	(339,077)	-	-	(339,077)
- Recognition of share option expenses	18	-	-	1,116,498	-	1,116,498
- Dividend	32	-	-	-	(4,017,260)	(4,017,260)
Balance at 31.12.2018/1.1.2019		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
Contribution by and distributions to owners of the Company:						
- Recognition of share option expenses	18	-	-	883,502	-	883,502
- Employees' share options exercised	18	832,050	-	(184,900)	-	647,150
- Dividend	32	-	-	-	(2,416,602)	(2,416,602)
Balance at 31.12.2019		86,584,921	(339,077)	1,815,100	8,634,139	96,695,083

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

## STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	The Group		The Company	
	2019 RM	2018 RM Restated	2019 RM	2018 RM
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>				
Profit before taxation	16,280,429	15,425,397	4,486,024	2,273,519
Adjustments for:-				
Allowance for impairment losses on trade receivables	-	443,050	-	-
Depreciation:				
- investment properties	572,006	527,363	-	-
- property, plant and equipment	25,954,303	25,042,509	431,616	190,062
Interest expense on lease liabilities	3,315,357	-	3,136	-
Interest expense	3,765,293	7,762,518	210,621	177,906
Gain on dissolution of subsidiaries	(1,934,379)	-	(1,934,379)	-
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	161,331	231,417	-	-
Property, plant and equipment written off	273,105	6,003	425	61
Share of results of an equity accounted associate	57,788	30	-	-
Share option expenses	883,502	1,116,498	178,279	235,421
Dividend income	-	-	(6,000,000)	(6,700,000)
Dividend income from short-term investments	(135,110)	(82,601)	(13,051)	(36,644)
Loss/(Gain) on disposal of property, plant and equipment	610,230	(5,337,635)	-	(47,753)
Interest income:				
- deposits with licensed banks	(1,174,258)	(1,040,792)	(16,447)	(24,549)
- finance lease receivables	(303,635)	(113,018)	-	-
- others	(11,154)	(26,093)	-	-
Operating profit/(loss) before working capital changes	48,314,808	43,954,646	(2,653,776)	(3,931,977)
(Increase)/Decrease in contract assets	(19,806,445)	5,008,856	-	-
(Decrease)/Increase in contract liabilities	(9,482,698)	11,702,751	-	-
Decrease/(Increase) in trade and other receivables	7,700,682	(33,518,104)	4,017,799	(3,504,694)
(Decrease)/Increase in trade and other payables	(332,774)	311,861	608,633	(3,413,112)
Decrease in amount owing by subsidiaries	-	-	632,333	147,769
<b>CASH FROM/(FOR) OPERATIONS CARRIED FORWARD</b>	26,393,573	27,460,010	2,604,989	(10,702,014)

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

STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	The Group 2019 RM	2018 RM Restated	The Company 2019 RM	2018 RM
<b>CASH FROM/(FOR) OPERATIONS</b>					
<b>BROUGHT FORWARD</b>		26,393,573	27,460,010	2,604,989	(10,702,014)
Interest paid		(7,080,650)	(7,762,518)	(213,757)	(177,906)
Income tax refund		2,153,928	866,578	28,000	-
Income tax paid		(8,848,077)	(6,654,840)	(24,838)	(147,711)
<b>NET CASH FROM/(FOR) OPERATING ACTIVITIES</b>		12,618,774	13,909,230	2,394,394	(11,027,631)
<b>CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES</b>					
Net cash flow from deconsolidation of subsidiaries under Member's Voluntary Winding Up	5	(177,358)	(1,943,359)	-	-
Proceeds from dissolution of subsidiaries		1,984,694	-	1,984,694	-
Investment in a subsidiary		-	-	(1,000,000)	-
Investment in an associate		(224,970)	(30)	(224,970)	(30)
Repayment from finance lease receivables		1,093,644	436,982	-	-
Advances to subsidiaries		-	-	(1,358,413)	(5,431,158)
Advances to an associate		(111,138)	(5,288)	(34,088)	(3,788)
Dividend received		-	-	6,000,000	6,700,000
Dividend received from short-term investments		135,110	82,601	13,051	36,644
Interest received		1,489,047	1,179,903	16,447	24,549
Proceeds from disposal of property, plant and equipment		13,493,570	2,926,643	1	49,013
Addition to investment properties		(11,500)	(1,514,189)	-	-
Purchase of property, plant and equipment	33(a)	(3,372,349)	(16,022,039)	(1,194,383)	(67,076)
Increase in deposits pledged with licensed banks		(6,992,322)	(14,921,885)	(8,048)	(7,213)
Withdrawal of deposit with tenure more than three months		-	4,600,000	-	4,600,000
<b>NET CASH FROM/(FOR) INVESTING ACTIVITIES</b>		7,306,428	(25,180,661)	4,194,291	5,900,941

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

STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

Note	The Group		The Company	
	2019 RM	2018 RM Restated	2019 RM	2018 RM
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>				
Dividends paid	(6,433,862)	-	(6,433,862)	-
Proceeds from exercise of ESOS	647,150	-	647,150	-
Purchase of treasury shares	-	(339,077)	-	(339,077)
Advances from/(Repayment to) subsidiaries	-	-	3,781	(139,176)
Advances from an associate company	205,799	-	-	-
Repayment of hire purchase obligations	-	(24,355,185)	-	-
Repayment of lease liabilities	(17,360,190)	-	(28,364)	-
Drawdown of term loans	-	13,751,244	-	4,166,276
Repayment of term loans	(8,436,791)	(5,277,200)	(310,209)	(222,635)
Net drawdown of bankers' acceptances	2,293,349	8,011,000	-	-
Net drawdown of bank factoring	9,498,475	1,815,805	-	-
Net (repayment)/drawdown of invoice financing	(4,407,480)	12,139,018	-	-
Net drawdown/(repayment) of revolving credit	6,000,000	(11,000,000)	-	-
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>	(17,993,550)	(5,254,395)	(6,121,504)	3,465,388
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,931,652	(16,525,826)	467,181	(1,661,302)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>	7,447,759	23,973,585	913,121	2,574,423
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	33(c) 9,379,411	7,447,759	1,380,302	913,121

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

### 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 : Suite 10.02, Level 10,  
The Gardens South Tower,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur.

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 20 May 2020.

### 2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing management services and hiring of machineries. 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)**

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 - 2017 Cycles

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 except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. MFRS 16 requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months whereby the right-of-use assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. For a lessor, MFRS 16 continues to allow the lessor to classify its leases as either operating leases or finance leases and to account them differently. The impacts on the financial statements of the Company upon its initial application of MFRS 16 are disclosed in Note 43 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
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 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

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

##### *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:-

##### **(a) Impairment of Investment in Subsidiaries and Investment Properties**

The Group determines whether 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

##### *Key Sources of Estimation Uncertainty (Cont'd)*

##### **(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.

##### **(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).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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)***(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.

**(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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.2 BASIS OF CONSOLIDATION (CONT'D)

##### (a) Business Combinations (Cont'd)

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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 - Revenue from Contracts with Customers 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 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).

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FINANCIAL INSTRUMENTS (CONT'D)

##### (a) Financial Assets (Cont'd)

###### *Debt Instruments (Cont'd)*

##### (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 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 of these financial liabilities are recognised in profit or loss.

##### (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).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.4 FINANCIAL INSTRUMENTS (CONT'D)****(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.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.4 FINANCIAL INSTRUMENTS (CONT'D)

##### (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.

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 2019. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.6 INVESTMENT IN AN ASSOCIATE (CONT'D)

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.

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%
Leasehold land	Not applicable (2018 - over 86 to 95 years)
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%



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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.

#### 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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

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.

#### Accounting Policies Applied Until 31 December 2018

##### **(a) Group as a Lessee**

A lease is classified at the inception date as a finance lease or an operating lease.

##### **(i) Finance Leases**

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statements of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 4.9 LEASES (CONT'D)

##### (a) Group as a Lessee (Cont'd)

###### (i) Finance Leases (Cont'd)

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, and investment properties.

###### (ii) Operating Leases

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statements of financial position of the Group.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

##### (b) Group as a Lessor

###### Finance Leases

Leases in which the Group transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. Upon initial recognition, the leased asset is presented as a receivable at an amount equal to the net investment in the lease.

The recognition of finance income shall be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

#### 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 - Financial Instruments.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

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 - Impairment of Assets 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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).

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

#### 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****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.

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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)****(d) Rendering of 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.

**(e) Rental Income from Investment Properties**

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

**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.

**5. INVESTMENTS IN SUBSIDIARIES**

	<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Unquoted shares, at cost	11,277,997	10,328,312
Share options granted to employees of subsidiaries	1,586,300	881,077
	<hr/> 12,864,297	<hr/> 11,209,389

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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
		2019 %	2018 %	
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
^^ Advancecon Rock Sdn. Bhd.	Malaysia	-	100	Dissolved.
^^ Advancecon Trading Sdn. Bhd.	Malaysia	-	100	Dissolved.

^ On 17 September 2019 and 23 September 2019, 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.

^^ On 23 September 2019, the final meeting of these subsidiaries were held to conclude the winding up proceedings. Pursuant to Section 459(5) of the Companies Act 2016 in Malaysia, the subsidiaries were deemed dissolved on the expiration of three months after lodgement of the Return by the liquidators relating to the final meeting with the Companies Commission of Malaysia and Official Receiver.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**5. INVESTMENTS IN SUBSIDIARIES (CONT'D)**

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

	<b>The Group</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Other receivables, deposits and prepayments	3	(1,648,585)
Current tax assets	1,600	2,256
Short-term investments	-	1,781,758
Cash and bank balances	194,225	161,601
Other payables and accruals	(14,636)	(15,298)
Amount owing to holding company	(8,092)	-
Amount owing to a related company	(8,775)	-
Carrying amount of net assets disposed of	164,325	281,732
Loss on deemed disposal of subsidiaries	(161,331)	(231,417)
Transfer to other investment #	(2,994)	(50,315)
	-	-
Proceeds from deemed disposals	##	###
Less: Cash and bank balances of subsidiaries disposed of	(194,225)	(1,943,359)
Add: Repayment from subsidiaries	16,867	-
	(177,358)	(1,943,359)

# 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 2020.

### The total proceeds from the dissolution of Advancecon Rock Sdn. Bhd. and Advancecon Trading Sdn. Bhd. received during the financial year is RM1,984,694.

**6. INVESTMENT IN AN ASSOCIATE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Unquoted share, at cost	225,000	30	225,000	30
Share of post acquisition loss	(57,818)	(30)	-	-
	167,182	-	225,000	30

The details of the associate are as follows:-

<b>Name of Associate</b>	<b>Principal Place of Business</b>	<b>Effective Equity Interest</b>		<b>Principal Activity</b>
		<b>2019 %</b>	<b>2018 %</b>	
Advancecon (Sarawak) Sdn. Bhd.	Malaysia	30	30	Providing earthworks and civil engineering services and other related services.

(a) The associate was incorporated in the previous financial year.

(b) 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 2019 (CONT'D)

## 7. PROPERTY, PLANT AND EQUIPMENT

The Group	< ----- 1.1.2019 ----- >			Additions RM	Reclassifications RM	Transfer to Finance Lease Receivables RM	Disposals RM	Write-offs RM	Depreciation Charges RM	At 31.12.2019 RM
	As Previously Reported RM	Initial Application of MFRS 16 RM	As Restated RM							
2019										
Carrying Amount										
Owned Assets										
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
Right-of-use Assets										
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 2019 (CONT'D)

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

The Group	At 1.1.2018 RM	Additions RM	Reclassifications RM	Transfer to Finance Lease Receivables RM	Disposals RM	Write-offs RM	Depreciation Charges RM	At 31.12.2018 RM
<b>2018</b>								
<i>Carrying Amount</i>								
Leasehold land	9,098,013	13,346,621	-	-	(5,430,796)	-	(196,511)	16,817,327
Buildings	9,536,877	-	(5,307,647)	-	(1,106,638)	-	(84,565)	3,038,027
Plant and machinery	120,869,159	21,876,886	-	(1,985,370)	(1,025,136)	-	(22,185,454)	117,550,085
Site equipment	1,527,327	687,734	-	-	(2)	(2,783)	(370,594)	1,841,682
Office equipment	464,231	173,894	-	-	-	(1,088)	(171,199)	465,838
Motor vehicles	9,678,277	3,937,709	-	-	(422,907)	(987)	(2,003,613)	11,188,479
Renovation	44,333	-	-	-	-	-	(18,817)	25,516
Furniture and fittings	53,045	1,249	-	-	(1)	(1,145)	(11,756)	41,392
Capital work-in-progress	96,628	277,910	-	-	(146,128)	-	-	228,410
	151,367,890	40,302,003	(5,307,647)	(1,985,370)	(8,131,608)	(6,003)	(25,042,509)	151,196,756

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

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

The Group	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>2019</b>			
<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
<b>2018</b>			
Leasehold land	17,031,145	(213,818)	16,817,327
Buildings	3,265,939	(227,912)	3,038,027
Plant and machinery	188,507,545	(70,957,460)	117,550,085
Site equipment	3,426,234	(1,584,552)	1,841,682
Office equipment	1,361,383	(895,545)	465,838
Motor vehicles	17,485,075	(6,296,596)	11,188,479
Renovation	222,982	(197,466)	25,516
Furniture and fittings	110,806	(69,414)	41,392
Capital work-in-progress	228,410	-	228,410
	231,639,519	(80,442,763)	151,196,756

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

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

The Company	< ----- 1.1.2019 ----- >			Additions RM	Reclassifications RM	Disposal RM	Write-off RM	Depreciation Charges RM	At 31.12.2019 RM
	As Previously Reported RM	Initial Application Of MFRS 16 RM	At Restated RM						
<b>2019</b>									
<i>Carrying Amount</i>									
<u>Owned Assets</u>									
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)	-	-	-	-
<u>Right-of-use Assets</u>									
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 2019 (CONT'D)

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

	At 1.1.2018 RM	Additions RM	Disposal RM	Write-off RM	Depreciation Charges RM	At 31.12.2018 RM
<b>The Company</b>						
<b>2018</b>						
Carrying Amount						
Leasehold land	3,628,002	-	-	-	(40,790)	3,587,212
Buildings	3,103,346	-	-	-	(65,319)	3,038,027
Plant and machinery	-	25,076	-	-	(23,285)	1,791
Office equipment	85,840	-	-	(61)	(18,064)	67,715
Motor vehicles	33,961	-	(1,260)	-	(23,787)	8,914
Renovation	44,332	-	-	-	(18,817)	25,515
Capital work-in-progress	-	140,000	-	-	-	140,000
	6,895,481	165,076	(1,260)	(61)	(190,062)	6,869,174

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>The Company</b>			
<b>2019</b>			
<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 2019 (CONT'D)

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

The Company	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>2018</b>			
Leasehold land	3,684,524	(97,312)	3,587,212
Buildings	3,265,939	(227,912)	3,038,027
Plant and machinery	211,000	(209,209)	1,791
Site equipment	103,099	(103,099)	-
Office equipment	210,993	(143,278)	67,715
Motor vehicles	106,138	(97,224)	8,914
Renovation	99,619	(74,104)	25,515
Furniture and fittings	5,210	(5,210)	-
Capital work-in-progress	140,000	-	140,000
	7,826,522	(957,348)	6,869,174

The comparative information of the right-of-use assets is not presented as the Group and the Company have applied MFRS 16 using the modified retrospective approach.

- (a) Capital work-in-progress represents assets under construction which are not ready for commercial use at the end of the reporting period.
- (b) Included in the carrying amounts of property, plant and equipment of the Group at the end of the previous reporting period were the following assets acquired under hire purchase terms:-

	<b>The Group 2018 RM</b>
Plant and machinery	59,511,993
Motor vehicles	9,123,125
	68,635,118

- (c) 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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Buildings	2,972,708	3,038,027	2,972,708	3,038,027
Leasehold land	16,621,198	16,817,327	3,546,423	3,587,212
	19,593,906	19,855,354	6,519,131	6,625,239

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

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

(d) 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 that runs 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 with lease terms of 5 (2018 - 5) years. At the end of the lease term, the Group has the option to purchase the asset at an insignificant amount. The leases bear effective interest rates ranging from 3.67% to 12.05% (2018 - 3.67% to 8.45%) and are secured by the leased assets.   |

### 8. INVESTMENT PROPERTIES

	2019 RM	The Group 2018 RM
<b>Cost</b>		
At 1 January	40,790,739	33,897,178
Addition during the financial year	11,500	1,514,189
Transfer from property, plant and equipment to investment properties (Note 7)	-	5,379,372
At 31 December	40,802,239	40,790,739
<b>Accumulated depreciation</b>		
At 1 January	(1,568,631)	(969,543)
Depreciation during the financial year	(572,006)	(527,363)
Transfer from property, plant and equipment to investment properties (Note 7)	-	(71,725)
At 31 December	(2,140,637)	(1,568,631)
Net carrying value	38,661,602	39,222,108

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**8. INVESTMENT PROPERTIES (CONT'D)**

	<b>2019 RM</b>	<b>The Group 2018 RM</b>
<i>Represented by:-</i>		
Leasehold land	6,228,907	6,305,258
Freehold land	1,926,680	1,926,680
Buildings	30,506,015	30,990,170
	<hr/> 38,661,602	<hr/> 39,222,108

- (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.

The undiscounted operating lease payments receivable are as follows:-

	<b>2019 RM</b>
Within 1 year	258,300
Between 1 and 2 years	136,800
Later than 2 years	6,753
	<hr/> 401,853

The comparative information is not presented as the Group has applied MFRS 16 using the modified retrospective approach.

- (b) Investment properties of the Group with a total carrying value of RM37,947,677 (2018 - RM38,469,357) 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 investment properties of the Group as at the reporting date are estimated at RM43,168,536 (2018 - RM43,168,536) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**9. FINANCE LEASE RECEIVABLES**

	<b>2019</b>	<b>The Group</b>
	<b>RM</b>	<b>2018</b>
		<b>RM</b>
Gross receivables from finance leases:		
- not later than 1 year	2,421,120	1,056,000
- later than 1 year and not later than 5 years	4,271,999	2,950,960
	6,693,119	4,006,960
Less: Unearned future finance income	(942,236)	(367,542)
Net investment in finance leases	5,750,883	3,639,418
Analysed by:-		
Current assets	1,869,686	890,840
Non-current assets	3,881,197	2,748,578
	5,750,883	3,639,418

- (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 (2018 - 4 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% (2018 - 4.55% to 9.49%).
- (c) The finance lease receivables at the end of the reporting period are neither past due nor impaired.

**10. TRADE RECEIVABLES**

	<b>2019</b>	<b>The Group</b>
	<b>RM</b>	<b>2018</b>
		<b>RM</b>
Trade receivables	63,977,008	67,381,641
Allowance for impairment losses	(443,050)	(453,318)
	63,533,958	66,928,323
Allowance for impairment losses:-		
At 1 January	453,318	10,268
Addition during the financial year	-	443,050
Written off during the financial year	(10,268)	-
At 31 December	443,050	453,318

The Group's normal trade credit terms range from 5 to 60 (2018 - 5 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**11. CONTRACT ASSETS/(LIABILITIES)**

	<b>2019</b>	<b>The Group</b>
	<b>RM</b>	<b>2018</b>
		<b>RM</b>
Contract assets:-		
Contract assets relating to construction contracts	98,904,425	79,097,980
Contract liabilities:-		
Contract liabilities relating to construction contracts	(11,196,440)	(20,679,138)

- (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 to 2 ½ (2018 - 1) years.

Included in contract assets are retention sum receivables totalling RM36,249,842 (2018 - RM41,085,297). The retention sums are expected to be collected within the periods ranging from 1 to 4 (2018 - 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 2 to 18 (2018 - 6 to 24) months.
- (c) The changes to contract asset and contract liability balances during the financial year are summarised below:-

	<b>2019</b>	<b>The Group</b>
	<b>RM</b>	<b>2018</b>
		<b>RM</b>
At 1 January	58,418,842	75,130,449
Revenue recognised in profit or loss during the financial year	276,527,129	249,256,331
Billings to customers during the financial year	(261,400,005)	(264,269,409)
Movement in accrual income	18,997,474	(8,200,072)
Movement in retention sum	(4,835,455)	6,501,543
At 31 December	87,707,985	58,418,842
Represented by:-		
Contract assets	98,904,425	79,097,980
Contract liabilities	(11,196,440)	(20,679,138)
	87,707,985	58,418,842

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Other receivables	3,024,901	19,426,053	1,812	4,019,139
Deposits	2,831,411	2,295,920	46,020	45,040
Prepayments	2,880,216	1,850,693	12,710	14,162
Goods and services tax recoverable	1,418,914	1,431,696	13,363	13,363
	10,155,442	25,004,362	73,905	4,091,704

Included in other receivables of the Group at the end of the previous reporting period was a total amount of RM10,542,600 being the remaining proceeds from the disposal of a piece of leasehold land and a unit of freehold building in the previous financial year for a total consideration of RM10,970,000. The amount has been collected during the financial year.

**13. AMOUNTS OWING BY/(TO) SUBSIDIARIES**

	<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Amount owing by:-		
Trade balances	238	632,571
Non-trade balances	80,000,814	78,642,401
	80,001,052	79,274,972
Amount owing to:-		
Non-trade balances	(114,664)	(110,883)

(a) The trade balances are subject to a normal trade credit term of 30 (2018 - 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. 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**15. DEPOSITS WITH LICENSED BANKS**

Included in the deposits with licensed banks of the Group and of the Company at the end of the reporting period was an amount of RM39,629,498 and RM256,362 (2018 - RM32,637,176 and RM248,314) which has 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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Effective interest rates	2.70 to 3.50	2.90 to 3.50	3.00	3.25

The maturity periods of the deposits were as follows:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Maturity period (days)	30 to 365	30 to 365	365	365

**16. SHARE CAPITAL**

	<b>2019</b>	<b>The Group/</b>	<b>The Company</b>	
	<b>Number of shares</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
			<b>RM</b>	<b>RM</b>
<b>Issued and Fully Paid-Up</b>				
Ordinary shares				
At 1 January	402,079,000	402,079,000	85,752,871	85,752,871
New shares issued under ESOS for cash (Note 18)	1,849,000	–	832,050	–
At 31 December	403,928,000	402,079,000	86,584,921	85,752,871

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.

**17. TREASURY SHARES**

During the financial year, the Company has not purchased its issued ordinary shares from the open market.

In the previous financial year, the Company purchased 1,161,000 of its issued ordinary shares from the open market at an average price of RM0.29 per share between the months of October to December. The total consideration paid for the purchase was RM339,077 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 403,928,000 (2018 - 402,079,000) issued and fully paid-up ordinary shares at the end of the reporting period, 1,161,000 (2018 - 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 18. 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.

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 2019	Re-offered	Exercised	At 31 December 2019
20 September 2018	RM0.35	2 Years	19,620,000	380,000	(1,849,000)	18,151,000

The options which were forfeited in the last financial year due to resignation of employees were re-offered to other eligible persons during the financial year.

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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**18. RESERVES (CONT'D)****Employee Share Option Reserve (Cont'd)**

In the previous financial year, the Company has granted 20,000,000 share options under the ESOS. These options expire on 19 March 2021 and are exercisable if the employee remains in service from the date of grant.

In the last financial year, 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:-

	<b>Granted on 20.9.2018</b>
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 (%)	-

**19. DEFERRED TAX ASSETS/(LIABILITIES)**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
At 1 January	(4,748,927)	(6,624,084)	160,149	(20,724)
Recognised in profit or loss (Note 31)	1,117,051	1,875,157	-	180,873
At 31 December	(3,631,876)	(4,748,927)	160,149	160,149

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Deferred tax assets:-				
Unused tax losses	171,529	171,529	171,529	171,529
Deferred tax liabilities:-				
Accelerated capital allowances over depreciation	(4,031,955)	(5,060,611)	(11,380)	(11,380)
Others	228,550	140,155	-	-
	(3,631,876)	(4,748,927)	160,149	160,149

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**20. LONG-TERM BORROWINGS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Hire purchase payables (Note 22)	–	45,947,568	–	–
Term loans (Note 23)	25,493,245	32,842,850	3,887,396	4,216,150
	25,493,245	78,790,418	3,887,396	4,216,150

**21. LEASE LIABILITIES**

	<b>The Group 2019 RM</b>	<b>The Company 2019 RM</b>
At 1 January:		
- as previously reported	–	–
- initial application of MFRS 16	61,897,971	–
- as restated	61,897,971	–
Acquisition of new leases	1,782,467	211,768
Reclassification of other payables to lease liabilities	7,354,200	–
Interest expense recognised in profit or loss (Note 30)	3,315,357	3,136
Repayment of principal	(17,360,190)	(28,364)
Repayment of interest expense	(3,315,357)	(3,136)
At 31 December	53,674,448	183,404
Analysed by:-		
Current liabilities	18,230,627	68,333
Non-current liabilities	35,443,821	115,071
	53,674,448	183,404

The comparative information is not presented as the Group and the Company have applied MFRS 16 using the modified retrospective approach.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**22. HIRE PURCHASE PAYABLES**

	<b>The Group 2018 RM</b>
Minimum hire purchase payments:	
- not later than 1 year	18,959,609
- later than 1 year and not later than 5 years	49,533,979
	68,493,588
Less: Future finance charges	(6,595,617)
Present value of hire purchase payables	61,897,971
Analysed by:-	
Current liabilities (Note 27)	15,950,403
Non-current liabilities (Note 20)	45,947,568
	61,897,971

The hire purchase payables have been represented as 'lease liabilities' as shown in Note 21 to the financial statements following the application of MFRS 16 by the Group using the modified retrospective approach.

**23. TERM LOANS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Current liabilities (Note 27)	1,119,713	2,206,899	330,560	312,015
Non-current liabilities (Note 20)	25,493,245	32,842,850	3,887,396	4,216,150
	26,612,958	35,049,749	4,217,956	4,528,165

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

## 23. TERM LOANS (CONT'D)

Details of the repayment terms are as follows:-

Term Loan	Monthly Instalment RM	Number of Monthly Instalments	Date of Commencement of Repayment	The Group Amount Outstanding		The Company Amount Outstanding	
				2019 RM	2018 RM	2019 RM	2018 RM
1	10,000	120	November 2012	344,524	464,524	344,524	464,524
2	2,587	300	January 2016	414,833	426,520	-	-
3	1,995	300	January 2016	319,814	328,824	-	-
4	2,431	300	January 2016	389,856	400,840	-	-
5	2,452	300	January 2016	384,369	398,460	-	-
6	28,833	240	July 2017	4,172,135	4,339,040	-	-
7	3,209	168	February 2016	309,850	334,862	-	-
8	6,172	180	February 2017	591,660	621,169	-	-
9	4,662	180	February 2017	446,757	469,046	-	-
10	8,967	240	February 2018	1,319,651	1,363,046	-	-
11	5,147	240	April 2017	736,498	762,139	-	-
12	5,567	240	August 2017	795,800	822,880	-	-
13	9,320	240	July 2018	1,394,645	1,438,698	-	-
14	8,580	240	July 2018	1,284,758	1,325,273	-	-
15	7,600	240	August 2016	1,047,582	1,087,259	-	-
16	30,337	120	February 2017	-	2,935,421	-	-
17	2,593	300	January 2018	435,306	446,191	-	-
18	2,904	300	January 2018	487,430	499,624	-	-
19	23,809	84	February 2017	-	1,452,385	-	-
20	47,619	84	February 2017	-	2,904,771	-	-
21	31,870	180	June 2018	3,873,432	4,063,641	3,873,432	4,063,641
22	36,990	180	December 2018	3,728,563	3,871,372	-	-
23	41,020	180	December 2018	4,135,495	4,293,764	-	-
				26,612,958	35,049,749	4,217,956	4,528,165

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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.
- (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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**23. TERM LOANS (CONT'D)**

- (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 loan 16 was secured by:-
- (i) a facility agreement for the sum of RM4,000,000;
  - (ii) a legal charge over a piece of leasehold land of a subsidiary which has been disposed off in the previous financial year;
  - (iii) a corporate guarantee of the Company;
  - (iv) a corporate guarantee of a subsidiary; and
  - (v) a joint and several guarantee of two of the directors of the Company.

The term loan was fully repaid during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 23. TERM LOANS (CONT'D)

(n) Term loans 17 and 18 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.

(o) Term loans 19 and 20 were secured by:-

- (i) a corporate guarantee of the Company; and
- (ii) the deposits with a licensed bank of a subsidiary.

The term loans were fully repaid during the financial year.

(p) Term loan 21 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.

(q) Term loan 22 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.

(r) Term loan 23 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

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Trade payables	36,909,605	38,929,299	15,808	15,808
Retention sums	11,186,918	10,217,951	-	-
	<b>48,096,523</b>	<b>49,147,250</b>	<b>15,808</b>	<b>15,808</b>

- (a) The normal trade credit terms granted to the Group and the Company range from 14 to 60 (2018 - 14 to 60) days.
- (b) The retention sums are unsecured, interest-free and expected to be paid within a period of 1 to 4 (2018 - 1 to 4) years.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**25. OTHER PAYABLES AND ACCRUALS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Other payables	18,292,065	9,632,295	182,361	337,671
Accruals	7,965,281	6,288,958	1,448,815	684,872
	<b>26,257,346</b>	<b>15,921,253</b>	<b>1,631,176</b>	<b>1,022,543</b>

Included in other payables of the Group at the end of the reporting period is a total amount of approximately RM15,000,000 (2018 - RM7,600,000) outstanding on purchase of plant and machineries.

**26. DIVIDEND PAYABLE**

	<b>The Group/The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
In respect of the financial year ended 31 December 2018:		
- First interim single-tier dividend of 1 sen per ordinary share	-	4,017,260

**27. SHORT-TERM BORROWINGS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Hire purchase payables (Note 22)	-	15,950,403	-	-
Term loans (Note 23)	1,119,713	2,206,899	330,560	312,015
Bankers' acceptances	14,340,349	12,047,000	-	-
Bank factoring	11,314,280	1,815,805	-	-
Invoice financing	11,748,868	16,156,348	-	-
Revolving credit	9,000,000	3,000,000	-	-
	<b>47,523,210</b>	<b>51,176,455</b>	<b>330,560</b>	<b>312,015</b>

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

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**28. BANK OVERDRAFTS**

The bank overdrafts are secured by:-

- (a) a corporate guarantee of the Company;
- (b) the deposit with a licensed bank of a subsidiary;
- (c) subordination of loans and advances of RM30,000,000 of the Company.

**29. REVENUE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
<u>Revenue from Contract with Customers</u>				
Contract revenue	276,527,129	249,256,331	-	-
Sale of goods	22,987,623	19,473,770	-	-
Hiring of machinery	1,334,270	1,271,727	-	12,000
Day work revenue	844,607	2,513,094	-	-
Rental income from investment properties	642,445	344,131	-	-
Cabin living quarters rental	1,372	1,411	-	-
<u>Revenue from Other Sources</u>				
Dividend income	-	-	6,000,000	6,700,000
Management fee	-	-	3,305,393	1,229,089
	<b>302,337,446</b>	<b>272,860,464</b>	<b>9,305,393</b>	<b>7,941,089</b>

- (a) The disaggregation of revenue is presented under "Operating Segments" in Note 39 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):-

	<b>The Group</b>	
	<b>2019 RM</b>	<b>2018 RM</b>
Within 1 year	383,415,539	245,817,454
Between 1 and 3 years	358,559,080	500,458,610
	<b>741,974,619</b>	<b>746,276,064</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**30. PROFIT BEFORE TAXATION**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Profit before taxation is arrived at after charging/ (crediting):-				
Allowance for impairment losses on trade receivables	-	443,050	-	-
Auditors' remuneration:				
- statutory audit	167,000	167,000	40,000	38,000
- non-statutory audit	5,000	5,000	5,000	5,000
Depreciation:				
- investment properties	572,006	527,363	-	-
- property, plant and equipment	25,954,303	25,042,509	431,616	190,062
Direct operating expenses on investment properties:				
- income generating investment properties	140,203	79,531	-	-
- non-income generating investment properties	155,125	210,233	-	-
Directors' remuneration (Note 34(a))	4,943,358	4,045,027	4,283,883	3,503,420
Interest expense:				
- bank factoring	40,899	89,717	-	-
- bank overdrafts	623,190	521,479	6,691	14,475
- bankers' acceptances	556,604	416,330	-	-
- hire purchase	-	3,604,389	-	-
- invoice financing	653,547	988,493	-	-
- revolving credit	228,058	510,561	-	-
- term loans	1,662,995	1,631,549	203,930	163,431
- lease liabilities	3,315,357	-	3,136	-
Property, plant and equipment written off	273,105	6,003	425	61
Share of results of an equity accounted associate	57,788	30	-	-
Staff costs (including other key management personnel as disclosed in Note 34(b)):				
- salaries, bonuses, allowances and wages	41,691,783	38,367,349	1,019,410	911,630
- defined contribution plan	3,407,516	3,090,287	123,507	110,438
- share option expenses	718,527	900,255	53,307	70,393
- other benefits	2,519,070	2,619,230	63,651	70,682
Dividend income from short-term investments	(135,110)	(82,601)	(13,051)	(36,644)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**30. PROFIT BEFORE TAXATION (CONT'D)**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	161,131	231,417	-	-
Gain on dissolution of subsidiaries	(1,934,379)	-	(1,934,379)	-
Loss/(Gain) on disposal of property, plant and equipment	610,230	(5,337,635)	-	(47,753)
Interest income:				
- deposits with licensed banks	(1,174,258)	(1,040,792)	(16,447)	(24,549)
- finance lease receivables	(303,635)	(113,018)	-	-
- others	(11,154)	(26,093)	-	-

**31. INCOME TAX EXPENSE**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Current tax:				
- current financial year	6,548,819	6,512,697	-	-
- under/(over)provision in the previous financial year	59,140	112,718	5,514	(21,461)
(Reversal)/Recognition of real property gains tax	(35,659)	57,000	-	-
	6,572,300	6,682,415	5,514	(21,461)
Deferred tax (Note 19):				
- reversal of temporary differences	(2,202,005)	(940,798)	-	(180,873)
- under/(over)provision in the previous financial year	1,084,954	(934,359)	-	-
	(1,117,051)	(1,875,157)	-	(180,873)
	5,455,249	4,807,258	5,514	(202,334)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Profit before taxation	16,280,429	15,425,397	4,486,024	2,273,519
Tax at the statutory tax rate of 24%	3,907,303	3,702,095	1,076,646	545,645
Tax effects of:-				
Non-deductible expenses	2,772,696	2,612,534	828,561	890,277
Non-taxable income	(2,366,562)	(652,765)	(1,907,388)	(1,616,795)
Real property gains tax	(35,659)	57,000	-	-
Deferred tax assets not recognised during the financial year	33,377	4,351	2,181	-
Under/(Over)provision in the previous financial year:				
- current tax	59,140	112,718	5,514	(21,461)
- deferred tax	1,084,954	(934,359)	-	-
Differential in tax rates	-	(94,316)	-	-
Income tax expense for the financial year	5,455,249	4,807,258	5,514	(202,334)

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

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Unused tax losses	128,484	-	-	-
Unabsorbed capital allowances	9,688	-	9,088	-
Accelerated depreciation over capital allowances	900	-	-	-
	139,072	-	9,088	-

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 2019 (CONT'D)**32. DIVIDEND**

	<b>The Group/The Company 2019 RM</b>	<b>2018 RM</b>
In respect of the financial year ended 31 December 2019:		
- First interim dividend of 0.6 sen per ordinary share	2,416,602	-
In respect of the financial year ended 31 December 2018:		
- First interim dividend of 1 sen per ordinary share	-	4,017,260
	2,416,602	4,017,260

**33. CASH FLOW INFORMATION**

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

	<b>The Group 2019 RM</b>	<b>2018 RM</b>	<b>The Company 2019 RM</b>	<b>2018 RM</b>
Cost of property, plant and equipment purchased	22,141,792	40,302,003	1,406,151	165,076
Amount financed through hire purchase (Note 33(b))	-	(16,265,666)	-	-
Acquisition of new leases	(1,782,467)	-	(211,768)	-
Other payables	(16,986,976)	(8,014,298)	-	(98,000)
Cash disbursed for purchase of property, plant and equipment	3,372,349	16,022,039	1,194,383	67,076

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 33. CASH FLOW INFORMATION (CONT'D)

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

	Hire Purchase Payables RM	Lease Liabilities RM	Term Loans RM	Bankers' Acceptances RM	Invoice Financing RM	Revolving Credit RM	Bank Factoring RM	Total RM
<b>The Group 2019</b>								
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)
<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
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 2019 (CONT'D)**33. CASH FLOW INFORMATION (CONT'D)**

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

	<b>Hire Purchase Payables RM</b>	<b>Term Loans RM</b>	<b>Bankers' Acceptances RM</b>	<b>Invoice Financing RM</b>	<b>Revolving Credit RM</b>	<b>Bank Factoring RM</b>	<b>Total RM</b>
<b>The Group 2018</b>							
At 1 January	56,673,431	26,575,705	4,036,000	4,017,330	14,000,000	-	105,302,466
<u>Changes in Financing Cash Flows</u>							
Proceeds from drawdown	-	13,751,244	30,148,791	45,387,294	26,000,000	57,637,362	172,924,691
Repayment of principal	(24,355,185)	(5,277,200)	(22,137,791)	(33,248,276)	(37,000,000)	(55,821,557)	(177,840,009)
Repayment of interests	(3,604,389)	(1,631,549)	(416,330)	(988,493)	(510,561)	(89,717)	(7,241,039)
<u>Non-cash Changes</u>							
New hire purchase (Note 33(a))	16,265,666	-	-	-	-	-	16,265,666
Reclassification of other payables to hire purchase payables	13,314,059	-	-	-	-	-	13,314,059
Interest expense recognised in profit or loss	3,604,389	1,631,549	416,330	988,493	510,561	89,717	7,241,039
At 31 December	61,897,971	35,049,749	12,047,000	16,156,348	3,000,000	1,815,805	129,966,873

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**33. CASH FLOW INFORMATION (CONT'D)**

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

	<b>Amount Owing to Subsidiaries RM</b>	<b>Term Loans RM</b>	<b>Lease Liabilities RM</b>	<b>Total RM</b>
<b>The Company 2019</b>				
At January	-	4,528,165	-	4,528,165
<u>Changes in Financing</u>				
<u>Cash Flows</u>				
Advance 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)
<u>Non-cash Changes</u>				
Acquisition of new lease	-	-	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
			<b>Term Loans RM</b>	
<b>The Company 2018</b>				
At 1 January				584,524
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown				4,166,276
Repayment of principal				(222,635)
Repayment of interests				(163,431)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss				163,431
At 31 December				4,528,165



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Deposits with licensed banks	39,629,498	32,637,176	256,362	248,314
Short-term investments	2,029,521	4,194,411	149,695	636,644
Cash and bank balances	9,165,984	7,708,889	1,230,607	276,477
Bank overdrafts	(1,816,094)	(4,455,541)	-	-
	49,008,909	40,084,935	1,636,664	1,161,435
Less: Deposits pledged to licensed banks	(39,629,498)	(32,637,176)	(256,362)	(248,314)
	9,379,411	7,447,759	1,380,302	913,121

**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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
<b>(a) Directors</b>				
<u>Directors of the Company</u>				
Short-term employee benefits:				
- fees	224,400	214,200	224,400	214,200
- salaries, bonuses and other benefits	4,205,823	3,342,632	3,652,723	2,901,392
	4,430,223	3,556,832	3,877,123	3,115,592
Defined contribution plan	348,160	271,952	281,788	222,800
Share option expenses	164,975	216,243	124,972	165,028
Total directors' remuneration (Note 30)	4,943,358	4,045,027	4,283,883	3,503,420

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Company were RM85,438 and RM67,940 (2018 - RM94,633 and RM79,950) respectively.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**34. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)**

**(b) Other Key Management Personnel**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Short-term employee benefits	1,874,575	1,484,308	456,924	488,239
Share option expenses	109,646	181,531	34,475	45,525
Defined contribution plan	218,496	176,880	54,720	58,404
Total compensation for other key management personnel (Note 30)	2,202,717	1,842,719	546,119	592,168

**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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
<b>Entity Related to the Group</b>				
Received or receivable:-				
Contract revenue	5,128,271	-	-	-
Proceeds from disposal of plant, property and equipment	2,070	-	-	-
Payment on behalf of	354,064	5,318	128,246	3,818
Advances to	100,000	-	100,000	-
Paid or payable:-				
Investment in an associate	224,970	30	224,970	30
Secondment fees	322,225	-	-	-
Payment made by	6,214	-	-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**35. RELATED PARTY DISCLOSURES (CONT'D)****(b) Related Party Transactions and Balances (Cont'd)**

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:- (Cont'd)

	<b>The Group</b>		<b>The Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Subsidiaries</b>				
Received or receivable:-				
Dividend income	-	-	6,000,000	6,700,000
Management fee	-	-	3,305,393	1,229,089
Rental income:				
- premises	-	-	305,000	96,000
- hiring of machinery	-	-	-	12,000
Proceeds from disposal of				
plant, property and equipment	-	-	1	15
Payment on behalf of	-	-	833,101	43,395
Advances to	-	-	19,805,000	23,872,000
Paid or payable:-				
Management fee	-	-	189,627	110,883
Payment made by	-	-	15,787	-
Advances from	-	-	47,245,000	-
Investment in a subsidiary	-	-	1,000,000	-
<b>Director</b>				
Paid and payable:-				
Rental of premises	70,000	66,000	70,000	66,000

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

**36. CAPITAL COMMITMENTS**

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Approved and contracted for:-		
Purchase of property, plant and equipment	6,490,493	2,565,000

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 37. OPERATING LEASE COMMITMENT

The Group has applied MFRS 16 using the modified retrospective approach. As a result, the following information are disclosures required by MFRS 117 'Leases':-

#### Leases as Lessee

The Group leases a number of plant and machineries under non-cancellable operating leases. The future minimum lease payment under the non-cancellable operating leases as at the end of the previous reporting period is as follows:-

	<b>The Group 2018 RM</b>
Not later than 1 year	420,000

### 38. EARNINGS PER SHARE

	<b>2019</b>	<b>The Group 2018</b>
Profit after taxation (RM)	10,825,180	10,618,139
Weighted average number of ordinary shares:-		
Ordinary shares at 1 January	400,918,000	402,079,000
Effect of treasury shares held	-	(157,600)
Effect of ordinary shares issued	773,655	-
Weighted average number of ordinary shares in issue	401,691,655	401,921,400
Basic earnings per share (Sen)	2.69	2.64
Weighted average number of ordinary shares for basic earnings per share	401,691,655	401,921,400
Shares deemed to be issued for no consideration: - employee share options in issue	2,063,173	65,478
Weighted average number of ordinary shares for diluted earnings per share computation	403,754,828	401,986,878
Diluted earnings per ordinary share (Sen)	2.68	2.64

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**39. 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.

**39.1 BUSINESS SEGMENTS**

<b>The Group 31 December 2019</b>	<b>Construction and Support Services RM</b>	<b>Property Investment RM</b>	<b>Consolidation Adjustments RM</b>	<b>Total RM</b>
<b>Revenue</b>				
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 2019 (CONT'D)

### 39. OPERATING SEGMENTS (CONT'D)

#### 39.1 BUSINESS SEGMENTS (CONT'D)

<b>The Group 31 December 2019</b>	<b>Construction and Support Services RM</b>	<b>Property Investment RM</b>	<b>Consolidation Adjustments RM</b>	<b>Total RM</b>
Results				
Segment results				21,794,710
Interest income				1,489,047
Dividend income from short-term investments				135,110
				<hr/> 23,418,867
Finance costs				(7,080,650)
Share of result of an equity accounted associate				(57,788)
				<hr/> 16,280,429
Consolidated profit before taxation				(5,455,249)
Income tax expense				<hr/> 10,825,180
Consolidated profit after taxation				<hr/>

<b>The Group 31 December 2019</b>	<b>Construction and Support Services RM</b>	<b>Property Investment RM</b>	<b>New Energy RM</b>	<b>Consolidation Adjustments RM</b>	<b>Total RM</b>
<b>Assets</b>					
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
					<hr/>
Consolidated total assets					409,980,550
<b>Liabilities</b>					
Segment liabilities	269,182,225	45,790,603	22,800	(100,732,523)	214,263,105
Deferred tax liabilities					3,792,025
					<hr/>
Consolidated total liabilities					218,055,130
					<hr/>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

## 39. OPERATING SEGMENTS (CONT'D)

## 39.1 BUSINESS SEGMENTS (CONT'D)

The Group 31 December 2019 (Cont'd)	Construction and Support Services RM	Property Investment RM	New Energy RM	Consolidation Adjustments RM	Total RM
<b>Other segment items:</b>					
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	3,012,513	752,780	-	-	3,765,293
Interest expense on lease liabilities	3,369,253	-	-	(53,896)	3,315,357
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 2019 (CONT'D)

## 39. OPERATING SEGMENTS (CONT'D)

## 39.1 BUSINESS SEGMENTS (CONT'D)

The Group 31 December 2018	Construction and Support Services RM	Property Investment RM	Consolidation Adjustments RM	Total RM
<b>Revenue</b>				
External revenue	272,516,333	344,131	-	272,860,464
Inter-segment revenue	74,744,573	-	(74,744,573)	-
Consolidated revenue	347,260,906	344,131		272,860,464
Represented by:-				
<u>Revenue recognised at a point in time</u>				
Sale of goods	19,473,770	-	-	19,473,770
Hiring of machinery	66,837,238	-	(65,565,511)	1,271,727
Day work revenue	2,513,094	-	-	2,513,094
Cabin living quarters rental	1,411	-	-	1,411
<u>Revenue recognised over time</u>				
Contract revenue	250,506,304	-	(1,249,973)	249,256,331
Rental income from investment properties	-	344,131	-	344,131
<u>Revenue from other sources</u>				
Dividend income	6,700,000	-	(6,700,000)	-
Management fee	1,229,089	-	(1,229,089)	-
	347,260,906	344,131		272,860,464
<b>Results</b>				
Segment results				21,925,441
Interest income				1,179,903
Dividend income from short-term investments				82,601
				23,187,945
Finance costs				(7,762,518)
Share of result of an equity accounted associate				(30)
Consolidated profit before taxation				15,425,397
Income tax expense				(4,807,258)
Consolidated profit after taxation				10,618,139



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**39. OPERATING SEGMENTS (CONT'D)****39.1 BUSINESS SEGMENTS (CONT'D)**

<b>The Group 31 December 2018</b>	<b>Construction and Support Services RM</b>	<b>Property Investment RM</b>	<b>Consolidation Adjustments RM</b>	<b>Total RM</b>
<b>Assets</b>				
Segment assets	468,073,413	48,654,065	(108,474,148)	408,253,330
Deferred tax assets				160,149
Goods and services tax recoverable				1,431,696
Current tax assets				1,509,428
Consolidated total assets				411,354,603
<b>Liabilities</b>				
Segment liabilities	272,419,365	50,148,610	(98,380,660)	224,187,315
Deferred tax liabilities				4,909,076
Current tax liabilities				272,022
Consolidated total liabilities				229,368,413
<b>Other segment items:</b>				
Capital expenditure:				
- investment properties	-	1,563,711	(49,522)	1,514,189
- property, plant and equipment	40,391,163	-	(89,160)	40,302,003
Depreciation:				
- investment properties	-	566,578	(39,215)	527,363
- property, plant and equipment	25,003,294	-	39,215	25,042,509
Direct operating expenses on investment properties:				
- income generating investment properties	-	79,531	-	79,531
- non-income generating investment properties	-	474,015	(263,782)	210,233
Interest expense	6,854,688	907,830	-	7,762,518
Property, plant and equipment written off	6,003	-	-	6,003
Allowance for impairment losses on trade receivables	443,050	-	-	443,050
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	-	-	231,417	231,417
Gain on disposal of property, plant and equipment	(1,844,614)	-	(3,493,021)	(5,337,635)
Gain on disposal of an investment property	-	(3,493,076)	3,493,076	-
Share of results of an equity accounted associate	-	-	30	30

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 39. OPERATING SEGMENTS (CONT'D)

#### 39.1 BUSINESS SEGMENTS (CONT'D)

The Group 31 December 2018	Construction and Support Services RM	Property Investment RM	Consolidation Adjustments RM	Total RM
<b>Other segment items (Cont'd):</b>				
Share option expenses	1,116,498	-	-	1,116,498
Interest income:				
- deposits with licensed banks	(1,040,792)	-	-	(1,040,792)
- finance lease receivables	(113,018)	-	-	(113,018)
- others	(15,238)	(10,855)	-	(26,093)
Dividend income from short-term investments	(82,601)	-	-	(82,601)

#### 39.2 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
<b>2019</b>		
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
<b>2018</b>		
Customer A	52,144,535	Construction and Support Services
Customer C	48,797,626	Construction and Support Services
Customer D	35,005,935	Construction and Support Services

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**40. 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.

**40.1 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.

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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
<b>Floating Rate Instruments</b>				
<u>Financial Liabilities</u>				
Term loans	26,612,958	35,049,749	4,217,956	4,528,165
Bankers' acceptances	14,340,349	12,047,000	-	-
Bank factoring	11,314,280	1,815,805	-	-
Invoice financing	11,748,868	16,156,348	-	-
Revolving credit	9,000,000	3,000,000	-	-
Bank overdrafts	1,816,094	4,455,541	-	-
	<b>74,832,549</b>	<b>72,524,443</b>	<b>4,217,956</b>	<b>4,528,165</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 40. FINANCIAL INSTRUMENTS (CONT'D)

#### 40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

##### (a) Market Risk (Cont'd)

###### (ii) Interest Rate Risk (Cont'd)

###### *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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Effects on Profit After Taxation				
Increase of 100 basis points	(568,727)	(551,186)	(32,056)	(34,414)
Decrease of 100 basis points	568,727	551,186	32,056	34,414

###### (iii) Equity Price Risk

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

##### (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 51% 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 40. FINANCIAL INSTRUMENTS (CONT'D)

#### 40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

##### (b) Credit Risk (Cont'd)

###### (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.

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, 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

#### 40. FINANCIAL INSTRUMENTS (CONT'D)

##### 40.1 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 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
<b>2019</b>				
Trade receivables				
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
<b>2018</b>				
Trade receivables				
Current (not past due)	27,653,802	-	-	27,653,802
Past due:				
- less than 2 months	19,058,778	-	-	19,058,778
- 2 to 4 months	13,876,772	-	(15,129)	13,861,643
- over 4 months	6,259,513	-	(212,388)	6,047,125
- more than 1 year	320,067	-	(13,092)	306,975
Credit impaired	212,709	(212,709)	-	-
Trade receivables	67,381,641	(212,709)	(240,609)	66,928,323
Contract assets	79,097,980	-	-	79,097,980
	146,479,621	(212,709)	(240,609)	146,026,303

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**40. FINANCIAL INSTRUMENTS (CONT'D)****40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)****(b) Credit Risk (Cont'd)****(iii) Assessment of Impairment Losses (Cont'd)***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 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.

*Amount Owing 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

## (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.

*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
<b>2019</b>						
<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 2019 (CONT'D)**40. FINANCIAL INSTRUMENTS (CONT'D)****40.1 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
<b>2018</b>						
<u>Non-derivative</u> <u>Financial Liabilities</u>						
Trade payables	-	49,147,250	49,147,250	49,147,250	-	-
Other payables and accruals	-	15,921,253	15,921,253	15,921,253	-	-
Dividend payable	-	4,017,260	4,017,260	4,017,260	-	-
Hire purchase payables	3.67 - 8.45	61,897,971	68,493,588	18,959,609	49,533,979	-
Term loans	4.64 - 7.97	35,049,749	52,406,599	4,310,276	16,334,188	31,762,135
Bankers' acceptances	4.12 - 5.51	12,047,000	12,047,000	12,047,000	-	-
Bank factoring	7.92	1,815,805	1,815,805	1,815,805	-	-
Invoice financing	5.36 - 8.32	16,156,348	16,156,348	16,156,348	-	-
Revolving credit	5.90	3,000,000	3,000,000	3,000,000	-	-
Bank overdrafts	7.82 - 7.99	4,455,541	4,455,541	4,455,541	-	-
		203,508,177	227,460,644	129,830,342	65,868,167	31,762,135

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

**40. FINANCIAL INSTRUMENTS (CONT'D)**

**40.1 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
<b>2019</b>						
<u>Non-derivative</u> <u>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	3,305,060
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	3,305,060
<b>2018</b>						
<u>Non-derivative</u> <u>Financial Liabilities</u>						
Trade payables	-	15,808	15,808	15,808	-	-
Other payables and accruals	-	1,022,543	1,022,543	1,022,543	-	-
Amount owing to subsidiaries	-	110,883	110,883	110,883	-	-
Dividend payable	-	4,017,260	4,017,260	4,017,260	-	-
Term loans	4.77 - 5.11	4,528,165	6,225,577	523,307	1,900,475	3,801,795
Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries*	-	-	122,738,266	122,738,266	-	-
		9,694,659	134,130,337	128,428,067	1,900,475	3,801,795

\* 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 2019 (CONT'D)**40. FINANCIAL INSTRUMENTS (CONT'D)****40.2 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 shareholders' 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:-

	<b>The Group</b>		<b>The Company</b>	
	<b>2019 RM</b>	<b>2018 RM</b>	<b>2019 RM</b>	<b>2018 RM</b>
Lease liabilities	53,674,448	-	183,404	-
Hire purchase payables	-	61,897,971	-	-
Term loans	26,612,958	35,049,749	4,217,956	4,528,165
Bankers' acceptances	14,340,349	12,047,000	-	-
Bank factoring	11,314,280	1,815,805	-	-
Invoice financing	11,748,868	16,156,348	-	-
Revolving credit	9,000,000	3,000,000	-	-
Bank overdrafts	1,816,094	4,455,541	-	-
	128,506,997	134,422,414	4,401,360	4,528,165
Less:				
- Deposits with licensed banks	(39,629,498)	(32,637,176)	(256,362)	(248,314)
- Short-term investments	(2,029,521)	(4,194,411)	(149,695)	(636,644)
- Cash and bank balances	(9,165,984)	(7,708,889)	(1,230,607)	(276,477)
Net debt/(surplus) of cash and cash equivalents	77,681,994	89,881,938	2,764,696	3,366,730
Total equity	191,925,420	181,986,190	96,695,083	93,100,523
Debt-to-equity ratio	0.40	0.49	0.03	0.04

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 2019 (CONT'D)

#### 40. FINANCIAL INSTRUMENTS (CONT'D)

##### 40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group		The Company	
	2019 RM	2018 RM	2019 RM	2018 RM
<b>Financial Assets</b>				
<u>Mandatory at Fair Value Through Profit or Loss</u>				
Short-term investments	2,029,521	4,194,411	149,695	636,644
<u>Amortised Cost</u>				
Finance lease receivables	5,750,883	3,639,418	-	-
Trade receivables	63,533,958	66,928,323	-	-
Other receivables	3,024,901	19,426,053	1,812	4,019,139
Amount owing by subsidiaries	-	-	80,001,052	79,274,972
Amount owing by an associate	116,426	5,288	37,876	3,788
Deposits with licensed banks	39,629,498	32,637,176	256,362	248,314
Cash and bank balances	9,165,984	7,708,889	1,230,607	276,477
	121,221,650	130,345,147	81,527,709	83,822,690
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Trade payables	48,096,523	49,147,250	15,808	15,808
Other payables and accruals	26,257,346	15,921,253	1,631,176	1,022,543
Amount owing to subsidiaries	-	-	114,664	110,883
Amount owing to an associate	205,799	-	-	-
Dividend payable	-	4,017,260	-	4,017,260
Lease liabilities	53,674,448	-	183,404	-
Hire purchase payables	-	61,897,971	-	-
Term loans	26,612,958	35,049,749	4,217,956	4,528,165
Bankers' acceptances	14,340,349	12,047,000	-	-
Bank factoring	11,314,280	1,815,805	-	-
Invoice financing	11,748,868	16,156,348	-	-
Revolving credit	9,000,000	3,000,000	-	-
Bank overdrafts	1,816,094	4,455,541	-	-
	203,066,665	203,508,177	6,163,008	9,694,659

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)**40. FINANCIAL INSTRUMENTS (CONT'D)****40.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial Assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Net gains recognised in profit or loss	135,110	82,601	13,051	36,644
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	1,489,047	736,853	16,447	24,549
<b>Financial Liabilities</b>				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(7,080,650)	(7,762,518)	(213,757)	(177,906)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

## 40. FINANCIAL INSTRUMENTS (CONT'D)

### 40.5 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		
2019								
Financial Assets								
Finance lease receivables	-	-	-	-	6,180,690	-	6,180,690	5,750,883
Short-term investments	2,029,521	-	-	-	-	-	2,029,521	2,029,521
Financial Liability								
Term loans	-	-	-	-	26,612,958	-	26,612,958	26,612,958
2018								
Financial Assets								
Finance lease receivables	-	-	-	-	3,596,534	-	3,596,534	3,639,418
Short-term investments	4,194,411	-	-	-	-	-	4,194,411	4,194,411
Financial Liabilities								
Hire purchase payables	-	-	-	-	61,866,543	-	61,866,543	61,897,971
Term loans	-	-	-	-	35,049,749	-	35,049,749	35,049,749

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

## 40. FINANCIAL INSTRUMENTS (CONT'D)

## 40.5 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		
<b>2019</b>								
<u>Financial Asset</u>								
Short-term investment	149,695	-	-	-	-	-	149,695	149,695
<u>Financial Liability</u>								
Term loans	-	-	-	-	4,217,956	-	4,217,956	4,217,956
<b>2018</b>								
<u>Financial Asset</u>								
Short-term investment	636,644	-	-	-	-	-	636,644	636,644
<u>Financial Liability</u>								
Term loans	-	-	-	-	4,528,165	-	4,528,165	4,528,165

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 40. FINANCIAL INSTRUMENTS (CONT'D)

#### 40.5 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 short-term investments are determined using their quoted closing prices at the end of the reporting period.
- (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 and hire purchase payables 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:-

	<b>The Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>%</b>	<b>%</b>
Financial lease receivables	6.20 to 6.26	6.20 to 6.23
Hire purchase payables	-	3.22 to 6.36

### 41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 26 March 2019, the Company entered into a Memorandum of Understanding with Kumpulan Semesta Sdn. Bhd. to collaborate and to explore opportunities in the solar energy industry in Malaysia, particularly in respect of the proposed Large Scale Solar Project 3 by the Energy Commission (Suruhanjaya Tenaga). Consequent to the above, on the same day of 26 March 2019, the Company had incorporated a new subsidiary known as Advancecon Solar Sdn. Bhd. with an issued share capital of RM100 comprising 100 ordinary shares.
- (b) On 17 September 2019, Special Resolution was passed by the shareholder of Inspirasi Hebat Sdn. Bhd. to initiate the process of Member's Voluntary Winding Up and accordingly, liquidators have been appointed.
- (c) On 23 September 2019, Special Resolution was passed by the shareholder of SK-II Tipper Truck Services Sdn. Bhd. to initiate the process of Member's Voluntary Winding Up and accordingly, liquidators have been appointed.
- (d) On 23 September 2019, the final meeting of Advancecon Rock Sdn. Bhd. and Advancecon Trading Sdn. Bhd. was held to conclude the winding up proceedings. Pursuant to Section 459(5) of the Companies Act 2016 in Malaysia, the subsidiaries were deemed dissolved on the expiration of three months after lodgement of the Return by the liquidator relating to the final meeting with the Companies Commission of Malaysia and Official Receiver.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

### 42. SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The outbreak of Coronavirus Disease 2019 (COVID-19) in early 2020 has affected the business and economic environments of the Group and hence, may impact its performance and financial position in the future. However, given the unpredictability associated with the COVID-19 outbreak and any further contingency measures that may be put in place by the governments and various private corporations, the potential financial impact of the COVID-19 outbreak on the Group's 2020 financial statements could not be reasonably quantified at this juncture.

### 43. INITIAL APPLICATION OF MFRS 16

The Group has adopted MFRS 16 using the modified retrospective approach under which the cumulative effect of initial application, if any, is recognised as an adjustment to the retained profits as at 1 January 2019 (date of initial application) without restating any comparative information.

The Group has applied MFRS 16 only to contracts that were previously identified as leases under MFRS 117 'Leases' and IC Interpretation 4 'Determining Whether an Arrangement Contains a Lease'. Therefore, MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

#### (a) Lessee Accounting

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, the Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate applicable. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

The Group has used the following practical expedients in applying MFRS 16 for the first time:-

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Applied for the exemption not to recognise operating leases with a remaining lease term of less than 12 months as at 1 January 2019;
- Excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the lease contract contains options to extend or terminate the lease.

For leases that were classified as finance leases, the Group has recognised the carrying amount of the leased asset and lease liability immediately before 1 January 2019 as the carrying amount of the right-of-use asset and the lease liability as at the date of initial application.

#### (b) Lessor Accounting

MFRS 16 does not change substantially how a lessor accounts for leases. The Group continues to classify leases as either finance leases or operating leases and account them differently. However, MFRS 16 has changed and expanded the disclosures required in particular regarding how the Group manages the risks arising from its residual interest in the leased assets as disclosed in Note 8 to the financial statements.

There were no financial impacts to the Group's retained earnings as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

#### 43. INITIAL APPLICATION OF MFRS 16 (CONT'D)

##### (c) Financial Impacts

The main impacts resulting from the adoption of MFRS 16 at 1 January 2019 are summarised below:-

	← 1 January 2019 →	
	As Previously Reported RM	MFRS 16 Adjustments RM
		As Restated RM
Property, plant and equipment (Note 7)		
- owned assets	151,196,756	(93,036,356)
- right-of-use assets	-	93,036,356
Lease liabilities (Note 21)		
- current liabilities	-	15,950,403
- non-current liabilities	-	45,947,568
Hire purchase payables (Note 22)		
- current liabilities	15,950,403	(15,950,403)
- non-current liabilities	45,947,568	(45,947,568)

#### 44. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of current financial year:-

	The Group As Previously Reported RM	As Restated RM
Statement of Cash Flows (Extract):-		
Net cash from operating activities	3,366,630	13,909,230
Net cash for investing activities	(14,638,061)	(25,180,661)

## LIST OF PROPERTIES

No	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (Sq.ft)	Approximate age of building (Years)	Tenure/ Date of expiry of the Lease	Audited Net Book Value as at 31.12.2019 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	6,874,019	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 RJU 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	6,228,908	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	6,200,756	12 April 2018
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	Eighteen (18) years	Leasehold (99 years)/ 17 December 2106	5,190,657	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 8 <sup>th</sup> floor of a twenty (20) storey building office tower block	Land area: Not applicable Built up area: 4,381	Four (4) years	Leasehold (99 years)/ 5 December 2113	5,092,472	5 August 2013

LIST OF PROPERTIES (CONT'D)

No	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (Sq.ft)	Approximate age of building (Years)	Tenure/ Date of expiry of the Lease	Audited Net Book Value as at 31.12.2019 RM	Date of acquisition
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	Nine (9) years	Freehold	3,740,537	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	Seven (7) years	Freehold	3,126,288	4 September 2015
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	Two (2) years	Leasehold (99 years)/ 9 November 2110	2,233,488	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- detached house	Land area: 4,004 Built up area : 3,522	Two (2) years	Leasehold (99 years)/ 9 November 2110	2,057,355	28 June 2015

## LIST OF PROPERTIES (CONT'D)

No	Title Details/ Postal Address	Description of property / Existing use	Land area / Built-up area (Sq.ft)	Approximate age of building (Years)	Tenure/ Date of expiry of the Lease	Audited Net Book Value as at 31.12.2019 RM	Date of acquisition
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	Four (4) years	Freehold	1,838,747	14 March 2016

## ANALYSIS OF SHAREHOLDINGS

AS AT 29 MAY 2020

Total Issued Share	:	403,928,000 Ordinary Shares (including 3,755,400 Treasury Shares as per Record of Depositors as at 29 May 2020)
Types of Shares	:	Ordinary Share
Voting Rights	:	One vote per Ordinary Share on a poll

### DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MAY 2020

Size of Shareholdings	No. of Shareholders	%	No. of Shares #	%
1 - 99	8	0.32	100	0.00
100 to 1,000	267	10.68	166,800	0.04
1,001 to 10,000	1,200	48.00	7,275,000	1.82
10,001 to 100,000	826	33.04	28,984,000	7.24
100,001 - 20,008,629*#	196	7.84	275,788,200	68.92
20,008,630 and above**#	3	0.12	87,958,500	21.98
Total	2,500	100.00	400,172,600	100.00

Note:-

\* Less than 5% of Issued Holdings

\*\* 5% and above of Issued Holdings

# Excluding a total of 3,755,400 ordinary shares bought back by the Company and retained as Treasury Shares as per Record of Depositors as at 29 May 2020

### SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%#	No. of Shares	%
1. Dato' Phum Ang Kia	96,563,750	24.13	-	-
2. Lim Swee Chai	53,038,250	13.25	-	-
3. Pham Soon Kok	28,600,250	7.15	-	-

Note:-

# Calculated based on the issued share capital excluding a total of 3,755,400 ordinary shares bought back by the Company and retained as Treasury Shares.

### DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%#	No. of Shares	%
1. Dato' Phum Ang Kia	96,563,750	24.13	-	-
2. Lim Swee Chai	53,038,250	13.25	-	-
3. Ir. Yeo An Thai	14,875,250	3.72	-	-
4. Tung Kai Hung	8,875,250	2.22	-	-
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 3,755,400 ordinary shares bought back by the Company and retained as Treasury Shares.

ANALYSIS OF SHAREHOLDINGS  
AS AT 29 MAY 2020 (CONT'D)**THIRTY LARGEST SECURITIES ACCOUNT HOLDERS**  
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MAY 2020)

No.	Name	No. of Shares	%
1.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA (7003846)	38,500,000	9.62
2.	LIM SWEE CHAI	25,858,250	6.46
3.	PHAM SOON KOK	23,600,250	5.90
4.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA	18,200,000	4.55
5.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SWEE CHAI	15,830,000	3.96
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR IR. YEO AN THAI	14,875,250	3.72
7.	DATO' PHUM ANG KIA	14,863,750	3.71
8.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' PHUM ANG KIA	14,200,000	3.55
9.	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR YAYASAN ISLAM TERENGGANU	13,290,000	3.32
10.	LIM KOK TIONG	12,851,150	3.21
11.	AMANAHRAYA TRUSTEES BERHAD PB ISLAMIC SMALLCAP FUND	11,304,000	2.82
12.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR DATO' PHUM ANG KIA (SMART)	10,800,000	2.70
13.	CHAN KENG KONG	10,745,950	2.69
14.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM SWEE CHAI	10,300,000	2.57
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	7,959,300	1.99
16.	LAM WING KING	6,789,250	1.70
17.	TUNG KAI HUNG	5,875,250	1.47
18.	PUAH KIAN YIEW	5,790,850	1.45
19.	YAP GOON YING	5,777,250	1.44

ANALYSIS OF SHAREHOLDINGS  
AS AT 29 MAY 2020 (CONT'D)**THIRTY LARGEST SECURITIES ACCOUNT HOLDERS**

(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MAY 2020) (Cont'd)

No.	Name	No. of Shares	%
20.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHAM SOON KOK	5,000,000	1.25
21.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK (MY2975)	4,470,000	1.12
22.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR DANA MAKMUR PHEIM (211901)	4,302,600	1.08
23.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND -4082	4,163,900	1.04
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	3,388,400	0.85
25.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT- AMBANK (M) BERHAD FOR DIVINE INVENTIONS SDN.BHD.(SMART)	3,000,000	0.75
26.	TUNG KAI HUNG	3,000,000	0.75
27.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP KOK WENG	2,806,700	0.70
28.	LOH LAP KEONG	2,000,000	0.50
29.	YAP GOON YING	1,849,600	0.46
30.	SOON SEONG KEAT	1,700,000	0.42



## NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Third (23<sup>rd</sup>) Annual General Meeting (“AGM”) of Advancecon Holdings Berhad (“the Company”) will be held at Green III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.00 a.m. for the following purposes:

### AGENDA

#### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 31 July 2020 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) Yeoh Chong Keat **Ordinary Resolution 2**
  - (b) Lim Swee Chai **Ordinary Resolution 3**
  - (c) Ir. Yeo An Thai **Ordinary Resolution 4**
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**

#### 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 6**

“THAT subject to the Companies Act, 2016 (“the Act”), the Constitution of the Company, the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), Additional Temporary Relief Measures to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and the approvals of the relevant governmental/ regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any 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 to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time (“20% General Mandate”) AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities;

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 their 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.”

## NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING (CONT'D)

**6. PROPOSED RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES** *Ordinary Resolution 7*

"THAT, subject always to the Act, the provisions of the Constitution of the Company, the 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 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 Depositors) 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.

## NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING (CONT'D)

**BY ORDER OF THE BOARD**

Tan Tong Lang (MAICSA 7045482 / SSM PC No. 201908002253)  
Thien Lee Mee (LS0009760 / SSM PC No. 201908002254)  
Company Secretaries

Kuala Lumpur  
Dated: 30 June 2020

## Notes:

1. In respect of deposited securities, only member whose names appear in the Company's Record of Depositors as at 14 July 2020 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 two (2) proxies, he/she shall specify the proportion of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a shareholder of the Company and a shareholder may appoint any person to be his proxy without limitation. 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, at least 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-THIRD ANNUAL GENERAL MEETING (CONT'D)

**COVID-19 Outbreak Measure Notes**

*The health and safety of our members and staff who will attend the 23rd AGM are the top priority of the Company. Hence, the following precautionary measures will be taken for the conduct of the 23rd AGM:-*

- a. Members or proxies are encouraged to abide by the most current regulations in place and enforced by the Ministry of Health and Government of Malaysia at the time deciding on whether or not to attend the 23rd AGM in person.*
- b. Securities Commission Malaysia had on 18 April 2020 (revised on 18 June 2020) issued a Guidance and FAQs on the Conduct of General Meetings for Listed Issuers ("SC Guidance"). The Malaysian National Security Council had on 16 June 2020 issued a Standard Operating Procedures ("SOP") for government and private events, including meetings.*
- c. Pursuant to the SOP, only members/proxies aged between 18 to 60 years old are allowed to enter the venue and Patient under Investigation (PUI) and Person under Surveillance (PUS) are not allowed to enter the venue.*
- d. Members are encouraged to appoint the Chairman of the Meeting (or any other person) to act as proxy to attend and vote at the 23rd AGM on their behalf by submitting the proxy form with predetermined voting instruction.*
- e. Members or proxies who are feeling unwell or have been placed on quarantine orders or stay-at-home notices, you are advised to refrain from attending the 23rd AGM in person.*
- f. Members or proxies who had been in physical contact with a person infected with COVID-19 are advised to refrain from attending the 23rd AGM in person.*
- g. In the interest of the public health including the well-being of our members, members must cooperate with the precautionary measures put in place by the Company should members (or your proxies) wish to attend the 23rd AGM in person.*
- h. Members/proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person.*
- i. Members or proxies are advised to observe/maintain social distancing throughout the Meeting.*
- j. NO door gift will be provided to the Members or proxies.*
- k. NO refreshment will be served at the Meeting venue.*

Explanatory Notes to Ordinary and Special Business:

**1. Item 1 of the Agenda - Audited financial statements for the Financial Year Ended 31 December 2019**

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:

	<b>Director's fee (RM)</b>	<b>Meeting allowance (RM)</b>	<b>Business travel, accommodation and etc. (RM)</b>
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

## NOTICE OF TWENTY-THIRD ANNUAL GENERAL MEETING (CONT'D)

**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. Mr. Yeoh Chong Keat, Mr. Lim Swee Chai and Ir. Yeo An Thai are standing for re-election as Directors of the Company. Mr. Yeoh Chong Keat, who is the Independent Non-Executive Chairman, 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 2,3 and 4, 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 Mr. Yeoh Chong Keat, Mr. Lim Swee Chai and Ir. Yeo An Thai 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.

**5. Item 5 of the Agenda - Authority to issue and allot shares pursuant to Sections 75 and 76 of the Act**

The proposed Ordinary Resolution 6, the Company wishes to renew the mandate on the authority to allot and issue shares pursuant to Sections 75 and 76 of the Act at the forthcoming 23rd AGM of the Company.

The Company had at its 22nd AGM held on 20 June 2019, obtained a general mandate pursuant to Sections 75 and 76 of the Act from the shareholders of the Company ("Previous Mandate"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and no proceeds were raised.

Bursa Securities has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 and thereafter, the 10% General Mandate will be reinstated ("Extended Utilisation Period").

Having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of the Group, the Board would like to seek the approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 23rd AGM of the Company.

The Board is of the opinion that this 20% General Mandate is in the best interest of the Company and its shareholders. The 20% General Mandate will provided flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding its business plans, future investment project(s), working capital and/or acquisitions.

## NOTICE OF TWENTY-THIRD 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 Act (Cont'd)**

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

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 sought, the Company will make an announcement in respect thereof.

### **6. Item 6 of the Agenda - Proposed Renewal of Authority for the Company to purchase its own ordinary shares**

The proposed Ordinary Resolution 7, 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 30 June 2020 for further details of the Proposed Renewal of Authority for the Company to purchase its own ordinary shares.

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# ADVANCECON

## ADVANCECON HOLDINGS BERHAD

(Registration No. 199701011469 (426965-M))

(Incorporated in Malaysia)

### 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 No./ Passport No. .... of ..... (FULL ADDRESS)

and failing \*him/her (Proxy 2) ..... (FULL NAME IN BLOCK CAPITAL)

\*NRIC No / Passport 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-Third ("23rd") Annual General Meeting ("AGM") of the Company to be held at Green III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.00 a.m. and 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 31 July 2020 until the conclusion of the next AGM of the Company.		
Ordinary Resolution 2	To re-elect Mr. Yeoh Chong Keat as Director.		
Ordinary Resolution 3	To re-elect Mr. Lim Swee Chai as Director.		
Ordinary Resolution 4	To re-elect Ir. Yeo An Thai as Director.		
Ordinary Resolution 5	To re-appoint Messrs. Crowe Malaysia PLT as auditors of the Company and to authorise the Directors to fix their remuneration.		
Ordinary Resolution 6	Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
Ordinary Resolution 7	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 ....., 2020.

No. of Shares held	
CDS Account No.	
Tel No. (during office hours)	

.....  
\*Signature/Common Seal of Shareholder

Contact no.:

\* Strike out whichever not applicable





Notes:

1. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 14 July 2020 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 two (2) proxies, he/she shall specify the proportion of his shareholdings to be represented by each proxy.
3. A proxy may but need not be a shareholder of the Company and a shareholder may appoint any person to be his proxy without limitation. 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, at least 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-Third (23rd) AGM dated 30 June 2020.

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Stamp

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](mailto:info@advancecon.com.my)

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[www.advancecon.com.my](http://www.advancecon.com.my)

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5281  
**COMPANY NAME** : ADVANCECON HOLDINGS BERHAD  
**FINANCIAL YEAR** : December 31, 2019

## **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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 2019 ("FY2019"):</p>

	<p>(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.</p> <p>(b) The Management's performance under the leadership of the Group Chief Executive Officer ("Group CEO") is monitored through a yearly performance evaluation.</p> <p>(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.</p> <p>(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.</p> <p>(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 internal controls of the Group to ensure, as far as possible, the protection of its assets and its shareholders' interest.</p> <p>(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.</p> <p>(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:</p> <ul style="list-style-type: none"> <li>• Ensure adherence to accounting policies and applied them consistently.</li> <li>• Made judgements and estimates that are reasonable and prudent.</li> <li>• Ensured that all applicable accounting standards have been adhered to.</li> </ul>
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	<ul style="list-style-type: none"> <li>Ensured 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.</li> </ul>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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.</p> <p>During the FY2019, the Chairman had:</p> <ul style="list-style-type: none"><li>(a) Provided leadership for the Board so that the board can 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.</li><li>(b) Set the Board agenda with Company Secretary and ensured that Board members receive complete and accurate information in a timely manner.</li><li>(c) Led Board meetings and discussions.</li><li>(d) Managing boardroom dynamics by promoting a culture of openness and debate; encouraging active participation and allowing dissenting views to be freely expressed.</li><li>(e) Acting as the conduit between Management and the Board, although all Directors shall have the opportunity to get to know key members of the Management team.</li><li>(f) Ensured appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole.</li></ul>

	(g) Led the Board in establishing and monitoring good corporate governance practices in the company.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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 ensures a balance of power and authority, such that no one individual has unfettered decision-making powers.</p> <p>The roles of the Chairman and Group CEO are defined in the Board Charter which is available on the Company's website at <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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).</p> <p>During the FY2019, the Company Secretaries had performed the following tasks:</p> <ul style="list-style-type: none"><li>(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.</li><li>(b) Assisted the Board and Board Committees to function effectively and in accordance with their respective TOR and best practices and ensuring adherence to the existing Board policies and procedures.</li><li>(c) Attended Board Meetings and ensured the proper conduct of the meetings. Deliberations and decisions were accurately minuted and kept in the minutes books.</li><li>(d) Managed processes pertaining to the annual shareholders meeting.</li><li>(e) Served as a focal point for stakeholders' communication and engagement on corporate governance issues.</li></ul> <p>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 <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p>

	<p>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.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven days before the date of the meeting.</p> <p>This is to ensure that the Board papers comprising issues to be discussed, supporting information and documentations were 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.</p> <p>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.</p> <p>Senior Management and/or external consultants may be invited to attend Board Meetings to advise and/or furnish the Board with relevant information.</p> <p>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, were addressed by the Management within the timeline given.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>The Board Charter was reviewed by the Board on 27 February 2020. The current Board Charter is accessible for reference on the Company's website at <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>The core sections of the Code covered the following principles:</p> <ul style="list-style-type: none"><li>• Act with Integrity and Ethics</li><li>• Protect Advancecon Assets and Intellectual Property</li><li>• Comply with Laws and Regulations</li><li>• Working with One Another</li></ul> <p>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 <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>Whistle-blowers can report any improper conduct by email to the Audit Committee Chairman, En Mohd Zaky bin Othman at <a href="mailto:mohd_zaky@advancecon.com.my">mohd_zaky@advancecon.com.my</a> or post it to Advancecon's office. The Whistleblowing Policy is available on the Company's website at <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p> <p>On 20 May 2020, the Board 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 is available on the Company's website at <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure												
<b>Explanation on application of the practice</b>	:													
<b>Explanation for departure</b>	:	<p>The current Board comprises of seven members with three being INED.</p> <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> <p>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.</p> <p>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.</p> <p>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.</p>	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												
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>														



<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	During the FY2019, none of the Independent Directors have served as Independent Director for a cumulative term of nine years or more.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### **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.

<b>Application</b> :	Not Adopted
<b>Explanation on adoption of the practice</b> :	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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.</p> <p>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.</p> <p>During the FY2019, the diversity for the Board and Senior Management are as follows:</p> <p><u>Board of Directors</u> Gender: Male (7); Female (0) Age: 40-49 (1); 50-59 (2); 60 &amp; above (4) Ethnicity: Malay (2); Chinese (5); Indian (0)</p> <p><u>Senior Management</u> Gender: Male (3); Female (0) Age: 30-39 (1); 40-49 (2); 50-59 (0); 60 &amp; above (0) Ethnicity: Malay (0); Chinese (3); Indian (0)</p> <p>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.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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 (“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.	
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 4.6

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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:	<p>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 sourcing high-calibre directors with a sound understanding of the business.</p> <p>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.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC is made up entirely of INEDs in compliance with paragraph 15.08A(1) of the MMLR.</p> <p>The NC is chaired by Mr Yeoh Chong Keat, who is the Independent Non-Executive Chairman of the Group.</p> <p>The composition of the NC can be found on Page 4 of the Annual Report 2019 ("AR") under Corporate Information.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the FY2019, 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.</p> <p>Below are the criteria used to assess Board, Board Committees and individual Directors respectively during the financial year:</p> <p>(a) Directors' self-assessment</p> <ul style="list-style-type: none"><li>• knowledge about the Group's vision and mission;</li><li>• 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;</li><li>• competency and contribution.</li></ul> <p>(b) Board and Board Committees' assessment</p> <ul style="list-style-type: none"><li>• Board mix authority and composition to function effectively;</li><li>• quality of information and decision making process with regards to financial performance and audit, risk management, internal control and communication with stakeholders.</li></ul> <p>The NC has adopted the same criteria of "Independence" used in the definition of "independent directors" prescribed under the MMLR and MCGG.</p>

	<p>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.</p> <p>The Board had undertaken the annual evaluation of themselves, its committees and each individual director for FY2019. 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.</p> <p>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.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The RC is authorised by the Board to establish a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

	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.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>Amongst the RC's functions and duties outlined in its TOR are:</p> <ul style="list-style-type: none"><li>(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.</li><li>(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.</li><li>(c) To ensure a fair differential between the remuneration of Directors and Senior Management and other levels of management is maintained.</li><li>(d) To review and determine the benefits in kind for the Directors and Senior Management.</li><li>(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</li></ul>

	<p>arrangements in line with market practice.</p> <p>The present members of the RC are as follows:</p> <ul style="list-style-type: none"> <li>• Fathi Ridzuan bin Ahmad Fauzi, Chairman (INED)</li> <li>• Yeoh Chong Keat, Member (Independent Non-Executive Chairman)</li> <li>• Mohd Zaky bin Othman, Member (INED)</li> </ul> <p>The TOR of the RC can be viewed at the Company's website at <a href="http://www.advancecon.com.my">www.advancecon.com.my</a>.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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 FY2019 were disclosed in the Corporate Governance (“CG”) Overview Statement of the Company’s Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>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 Annual Report.</p> <p>However, the remuneration of the Executive Directors have been tabled in the CG Overview Statement of the Annual Report.</p> <p>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.</p> <p>The Board will ensure that the remuneration of the Senior Management commensurate with their duties and responsibilities and the performance of the Company.</p> <p>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</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### **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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	None of the members of the AC was a former key audit partner during FY2019.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The role of the AC in relation to the external auditors, Messrs Crowe Malaysia PLT (<i>Formerly known as Crowe Horwath</i>) ("EA") is found in the AC Report included in the Annual Report. Management maintains a transparent working relationship with EA in seeking professional advice and ensuring compliance with the applicable accounting standards.</p> <p>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.</p> <p>In November 2019, 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.</p> <p>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 FY2019 did not in any way impair their objectivity and independence as external auditors of the Company.</p> <p>Having taken into consideration of the above, the Board, through the AC opined that the EA are independent and suitably qualified to act.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The AC consists of three members, who are all Independent Non-Executive Directors ("INED").</p> <p>The members of the AC are as follows:</p> <ul style="list-style-type: none"><li>• Mohd Zaky Bin Othman, Chairman (INED)</li><li>• Yeoh Chong Keat, Member (INED)</li><li>• Fathi Ridzuan Bin Ahmad Fauzi, Member (INED)</li></ul> <p>All the three INED have satisfied the independence test based on the criteria set out in the MMLR.</p>

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Members of the AC 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Details of the training and seminars attended by the Directors during FY2019 are set out in the CG Overview Statement in the Annual Report of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>An overview of the state of risk management and internal control within the Group governed by the Risk Management Framework can be found on the Statement on Risk Management and Internal Control ("SORMIC") of the Annual Report.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The features of the Group's risk management and internal control framework, and the adequacy and effectiveness of this framework is disclosed in the SORMIC and can be found on Pages 32 to 34 of the Annual Report.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on adoption of the practice</b>	:	<p>The Risk Management Committee was established on 29 August 2017. Subsequently, on 28 November 2017, the Board had renamed it to Risk Management and Sustainability Committee ("RMSC"), however it comprises of 1 INED and 2 EDs. The composition is as follows:</p> <p>Chairman - Fathi Ridzuan Bin Ahmad Fauzi (<i>INED</i>)</p> <p>Member - Ir. Yeo An Thai (ED)</p> <p>Member - Tung Kai Hung (ED)</p> <p>The RMSC is entrusted with the responsibility of overseeing risk management and sustainability matters.</p>

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>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 risk profiles and concerns of the Management and the Board. The internal auditor reports directly to the AC. Further details of the internal audit activities are set out in the AC Report and the SORMIC of the Annual Report.</p> <p>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.</p> <p>The internal audit personnel constantly keep themselves abreast with developments in the profession, relevant industry and regulations through attendance at conferences/trainings.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In accordance with the Internal Audit Charter (Section 5. Independence &amp; Objectivity), internal Auditors are required to confirm to the AC, at least annually, the organisational independence of the internal audit activity.</p> <p>Majority of Internal Auditors under the external service provider are members of The Institute of Internal Auditors Malaysia.</p> <p>During the year, the internal audit function was carried out in accordance with the Committee of Sponsoring Organisations (“COSO”) model.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>The Board ensures the Company announces its quarterly results on timely basis to the shareholders and also make necessary announcement to its stakeholders.</p> <p>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.</p> <p>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 Group CFO whose name, contact number and e-mail address i.e. investors@advancecon.com.my is provided on Advancecon's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
		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>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The 23rd AGM of the Company is scheduled on 30 July 2020 and the Notice for the 23 <sup>rd</sup> AGM has been despatched to shareholders of the Company on 30 June 2020 which is more than 28 days prior to the meeting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All the Board members attended the 22<sup>nd</sup> AGM of the Company held on 20 June 2019.</p> <p>The Chairman presides over the AGM and where appropriate, directs shareholders’ queries to the Chairman of AC, NC and RC respectively during the meeting.</p> <p>The Company uploaded the outcome of AGM on the Company’s website as soon as practicable after the conclusion of the said meeting.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The location of the General Meetings has always been held at strategic location at Petaling Jaya, which is easily accessible by the shareholders.</p> <p>The Company does not have a large number of shareholders and as such does not consider leveraging on the technology to facilitate voting in absentia and remote shareholders participation at General Meetings.</p> <p>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.</p> <p>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.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## **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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