

ADVANCECON



Annual Report **2018**



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ABOUT ADVANCECON



SET TO SOAR

Understanding the potentials and opportunities beckoning in East Malaysia, Advancecon continues to support Malaysia's infrastructure wave by enhancing our foothold there. At Advancecon, our ultimate determination is to achieve greater heights and we do not rest on our laurels.

As we continue to expand our capabilities, Advancecon is endeavoured to transform challenges into opportunities.

The journey of a million miles begins with small steps. And that is precisely what Advancecon sets to achieve.





VISION

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

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.



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.



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

| Name | Designation | Directorship |
|-------------------------------|-------------|------------------------------------|
| Mohd Zaky bin Othman | Chairman | Independent Non-Executive Director |
| Yeoh Chong Keat | Member | Independent Non-Executive Chairman |
| Fathi Ridzuan bin Ahmad Fauzi | Member | Independent Non-Executive Director |

REMUNERATION COMMITTEE

| Name | Designation | Directorship |
|-------------------------------|-------------|------------------------------------|
| Fathi Ridzuan bin Ahmad Fauzi | Chairman | Independent Non-Executive Director |
| Yeoh Chong Keat | Member | Independent Non-Executive Chairman |
| Mohd Zaky bin Othman | Member | Independent Non-Executive Director |

NOMINATION COMMITTEE

| Name | Designation | Directorship |
|-------------------------------|-------------|------------------------------------|
| Yeoh Chong Keat | Chairman | Independent Non-Executive Chairman |
| Mohd Zaky bin Othman | Member | Independent Non-Executive Director |
| Fathi Ridzuan bin Ahmad Fauzi | Member | Independent Non-Executive Director |

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

| Name | Designation | Directorship |
|-------------------------------|-------------|--|
| Fathi Ridzuan bin Ahmad Fauzi | Chairman | Independent Non-Executive Director |
| Ir. Yeo An Thai | Member | Executive Director/Group Chief Operating Officer |
| Tung Kai Hung | Member | Executive Director/Operations Director of Advancecon Infra Sdn Bhd |

EMPLOYEES SHARE OPTION SCHEME COMMITTEE

| Name | Designation | Directorship |
|--------------------|-------------|---|
| Dato' Phum Ang Kia | Chairman | Executive Director/Group Chief Executive Officer |
| Lim Swee Chai | Member | Executive Director/Deputy Group Chief Executive Officer |
| Ir. Yeo An Thai | Member | Executive Director/Group Chief Operating Officer |



COMPANY SECRETARIES

Tan Tong Lang
(MAICSA 7045482)

Thien Lee Mee
(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
E-mail: info@advancecon.com.my

AUDITORS

Crowe Malaysia PLT
(LLP0018817-LCA & AF1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Telephone no.: 03-2788 9999
Facsimile no.: 03-2788 9998

PRINCIPAL BANKERS

Alliance Bank Malaysia Berhad
Al Rajhi Banking & Investment
Corporation (M) Berhad
HSBC Bank Malaysia Bhd
Hong Leong Bank Berhad
Public Bank Berhad
United Overseas Bank (Malaysia)
Berhad

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share
Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Telephone no.: 03-7849 0777
Facsimile no.: 03-7841 8151/8152

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Construction
(Shariah-compliant stocks)
Stock Code: ADVCON
Stock No.: 5281

DATE & PLACE OF INCORPORATION

9 April 1997, Malaysia

WEBSITE

www.advancecon.com.my

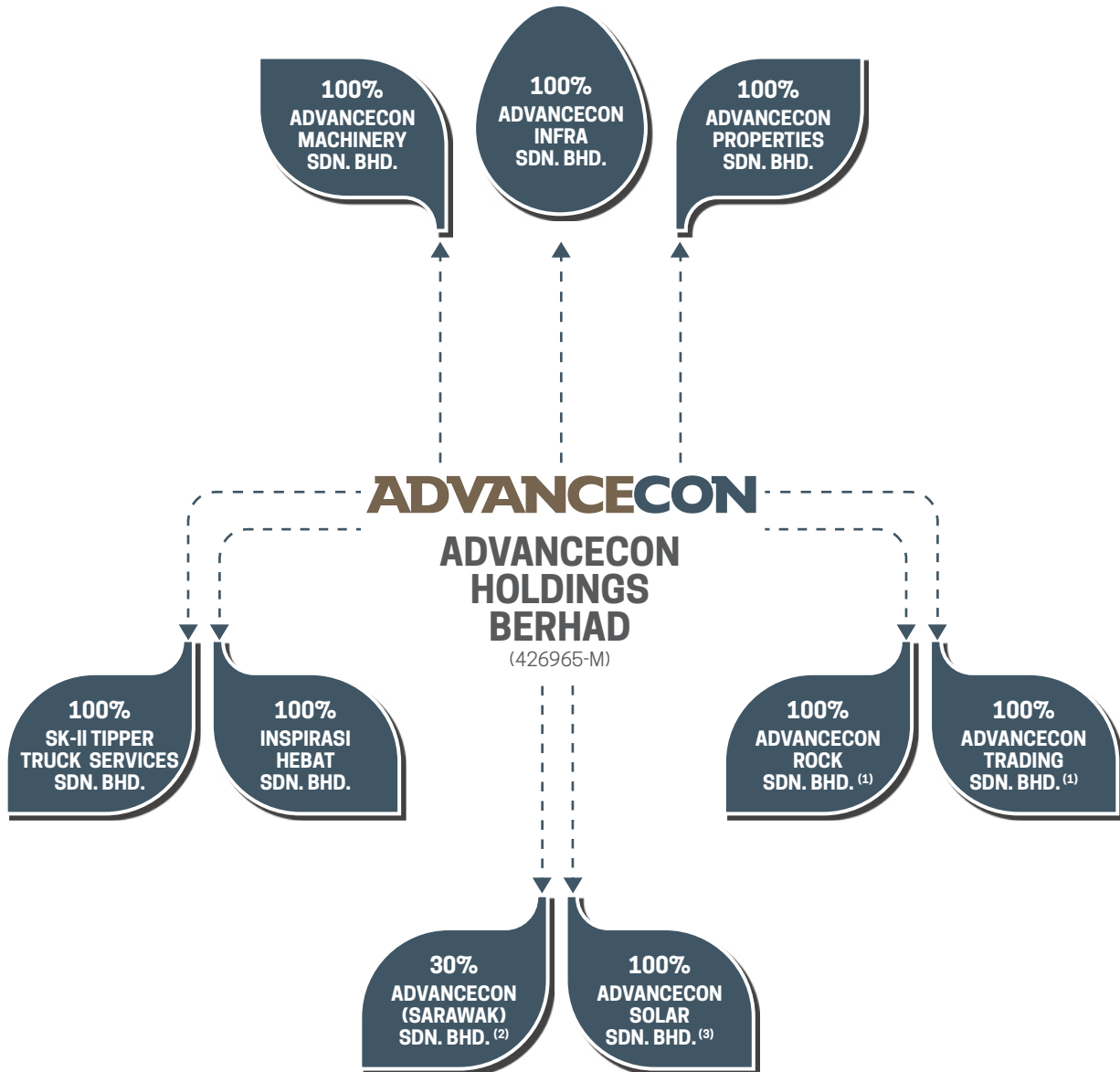
LISTING DATE

10 July 2017

COMPANY NO.

426965-M

CORPORATE STRUCTURE



Notes:-

- (1) In the process of Member's Voluntary Winding Up.
- (2) Advancecon (Sarawak) Sdn. Bhd. was incorporated on 12 October 2018.
- (3) Advancecon Solar Sdn. Bhd. was incorporated on 26 March 2019.

DIRECTORS' PROFILE

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YEOH CHONG KEAT

Independent Non-Executive Chairman

Mr. Yeoh Chong Keat, a Malaysian male, aged 60, was appointed to our Board on 1 August 2016 and is our Independent Non-Executive Chairman. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee respectively.

Mr Yeoh graduated with a Foundation Course in Accountancy from City of Birmingham Polytechnic, United Kingdom in 1978. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants and a Fellow of the Chartered Tax Institute of Malaysia.

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 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 Deloitte, he was involved in the areas of audit, tax compliance and advisory and management consulting services involving corporate rescues and restructuring.

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 in a variety of businesses and 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 the President cum Chief Executive Officer of the Firm.

Apart from Advancecon Holdings Berhad, he is also a Director of Lien Hoe Corporation Berhad and AbleGroup Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad.

Mr Yeoh 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, within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

Mr Yeoh attended all five board meetings held during the financial year ended 31 December 2018.





DATO' PHUM ANG KIA

Executive Director/Group Chief Executive Officer ("Group CEO")

Dato' Phum Ang Kia, a Malaysian male, aged 61, is our Executive Director/Group CEO. He was appointed to our Board on 9 April 1997. 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. Dato' Phum was also nominated to be one of the recipients under Master Category for EY Entrepreneur of the year 2018.

Dato' Phum does not hold any directorship in other public listed companies. He is a major shareholder of the Company and his brother, Mr Pham Soon Kok is a substantial shareholder of the Company. Other than that, he does not have any family relationship with any Directors and/or major shareholders. Dato' Phum has no conflict of interest with the Company and has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2018.

Dato' Phum attended all five board meetings held during the financial year ended 31 December 2018.



LIM SWEE CHAI

Executive Director/Deputy Group Chief Executive Officer ("Deputy Group CEO")

Mr. Lim Swee Chai, a Malaysian male, aged 62, is our Executive Director/Deputy Group CEO and was appointed to the Board on 9 April 1997. Having more than 37 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.

Mr Lim graduated with a Diploma in Technology (Building) from Tunku Abdul Rahman College in 1981 and accumulated his experience in project management and procurement operations. 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 TKSB 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.

Presently, Mr Lim does not hold any directorship in other public listed companies. He is also a major shareholder of the Company. Other than that, he does not have any family relationship with any Directors and/or major shareholders. Mr Lim has no conflict of interest with the Company and has not been convicted of any offences, other than traffic offences (if applicable) within the past five years nor has been imposed of any public sanction or penalties by any relevant regulatory bodies during the financial year ended 31 December 2018.

Mr Lim attended all five board meetings held during the financial year ended 31 December 2018.

IR. YEO AN THAI

Executive Director/Group Chief Operating Officer ("Group COO")

Ir. Yeo An Thai, a Malaysian male, aged 46, is our Executive Director/Group COO and was appointed to the Board on 1 August 2016. He is also a member of the Risk Management and Sustainability Committee. He is responsible for the overall operations of the Group which include decision making on corporate affairs and managing site technical operational activities of the Group.

Ir. Yeo graduated with a Bachelor of Engineering with Honours Degree in Civil and Structural Engineering from Universiti Kebangsaan Malaysia in 1997 and subsequently obtained a Master of Engineering Management from Universiti Putra Malaysia in 2015. He is 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. In 2014, he registered as a Green Building Index Facilitator with Green Building Index, Malaysia.

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 20 years of working experience in the construction industry and has been instrumental in the Initial Public Offering of Advancecon Holdings Berhad.

Ir. Yeo does not hold any directorship in other 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, within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

Ir. Yeo attended all five board meetings held during the financial year ended 31 December 2018.



DIRECTORS' PROFILE (CONT'D)



TUNG KAI HUNG, PETER

Executive Director/Operations Director of Advancecon Infra Sdn Bhd ("AISB")

Mr. Tung Kai Hung ("Mr Peter Tung"), a Malaysian male, aged 55, is our Executive Director/Operations Director of AISB and was appointed to our Board on 1 August 2016. He is also a member of Risk Management and Sustainability Committee.

Mr Peter Tung graduated with a Diploma in Technology (Building) from Tunku Abdul Rahman College, Malaysia in 1986 and has extensive background in construction contract claims, project cost budgeting, project management and administration from the various positions he held before assuming his current position.

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 AISB.

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.

Mr Peter Tung does not hold any directorship in other 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, within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

Mr Peter Tung attended all five board meetings held during the financial year ended 31 December 2018.



MOHD ZAKY BIN OTHMAN

Independent Non-Executive Director

En. Mohd Zaky bin Othman, a Malaysian male, aged 62, is our Independent Non-Executive Director. He was appointed to our Board on 1 August 2016 and is also the Chairman of the Audit Committee. Apart from that, he is also a member of the Remuneration Committee and the Nomination Committee respectively.

En. Mohd Zaky graduated with Bachelor of Science Degree in Business Administration (Finance) from California State University Fresno, United States in 1984 and subsequently obtained a Master of Science in Finance (Corporate Finance) from Golden Gate University, San Francisco, United States in 1992.

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.

En. Mohd Zaky does not hold any directorship in other 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, within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

En. Mohd Zaky attended all five board meetings held during the financial year ended 31 December 2018.

FATHI RIDZUAN BIN AHMAD FAUZI

Independent Non-Executive Director

En. Fathi Ridzuan bin Ahmad Fauzi, a Malaysian male, aged 54, is our Independent Non-Executive Director. He was appointed to our Board on 1 August 2016. He is also the Chairman of Remuneration Committee and Risk Management and Sustainability Committee respectively. Apart from that, he is also a member of the Audit Committee and the Nomination Committee respectively.

En. Fathi Ridzuan graduated with a Bachelor of Science Degree in Accounting and Financial Analysis from University of Warwick, Coventry, United Kingdom in 1989.

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 also the Deputy Chairman of FNW Capital Partners Sdn Bhd, a management consulting and venture capital management company since 2016.

Currently, En. Fathi Ridzuan also sits on the Board of Jiankun International Berhad, N2N Connect Berhad and Alloy Insurance Brokers Sdn Bhd.

En. Fathi Ridzuan 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, within the past five years (other than traffic offences, if any) and there was no public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

En. Fathi Ridzuan attended four out of five board meetings held during the financial year ended 31 December 2018.



KEY SENIOR MANAGEMENT



TEH HENG WEE

Group Chief Financial Officer (“Group CFO”)

Teh Heng Wee, a Malaysian male, aged 38, 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 15 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 2018.



PUAH KIAN YEW

Division General Manager - Earthworks

Puah Kian Yew, a Malaysian male, aged 42, 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 approximately 16 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 2018.



LIM KOK TIONG

Division General Manager - Infrastructure and Highway

Lim Kok Tiong, a Malaysian male, aged 45, 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 approximately 19 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.

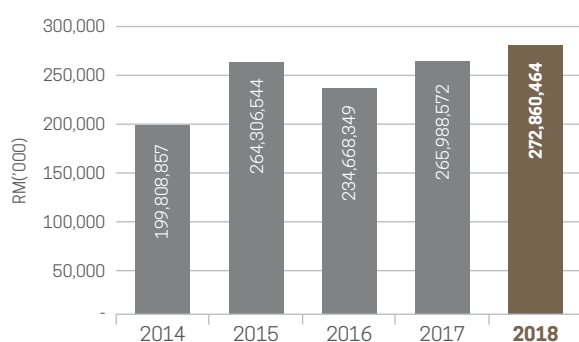
Lim Kok Tiong is the nephew of Lim Swee Chai. Other than that, he does not have any family relationship with any other Directors. Presently, he does not hold any directorship in any public listed companies. He has no conflict of interest with the Company and has not been

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 2018.

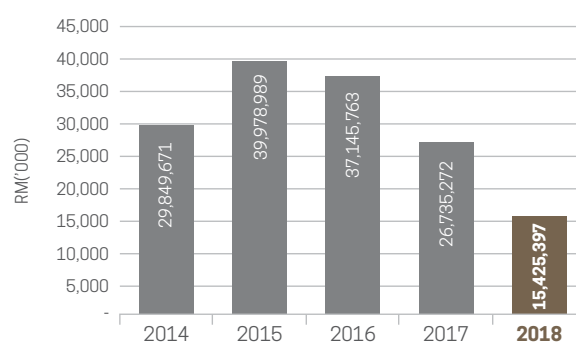
FINANCIAL HIGHLIGHTS

| Financial Year Ended 31 December | 2018 RM | 2017 RM | 2016 RM | 2015 RM | 2014 RM |
|--|--------------------|-------------|-------------|-------------|-------------|
| Profitability | | | | | |
| Revenue | 272,860,464 | 265,988,572 | 234,668,349 | 264,306,544 | 199,808,857 |
| Profit before taxation | 15,425,397 | 26,735,272 | 37,145,763 | 39,978,989 | 29,849,671 |
| Profit after taxation | 10,618,139 | 18,463,080 | 26,447,322 | 29,940,274 | 21,410,470 |
| Key Balance Sheet Data | | | | | |
| Total assets | 409,704,945 | 368,677,637 | 295,887,953 | 267,274,272 | 217,156,037 |
| Total equity | 180,336,532 | 174,607,890 | 105,620,629 | 93,673,307 | 63,733,033 |
| Total borrowings | 134,422,414 | 108,203,821 | 85,350,963 | 82,757,704 | 67,446,569 |
| Issued share capital | 402,079,000 | 402,079,000 | 312,079,000 | 1,248,316 | 1,248,316 |
| Share Information | | | | | |
| Earnings per share (sen) | 2.64 | 5.18 | 8.47 | 2,398.45 | 1,715.15 |
| Net assets per share attributable to owners of the Company | 0.45 | 0.43 | 0.34 | 75.04 | 51.06 |
| Gross gearing ratio (times) | 0.75 | 0.62 | 0.81 | 0.88 | 1.06 |
| Return on equity (%) | 6% | 11% | 25% | 32% | 34% |

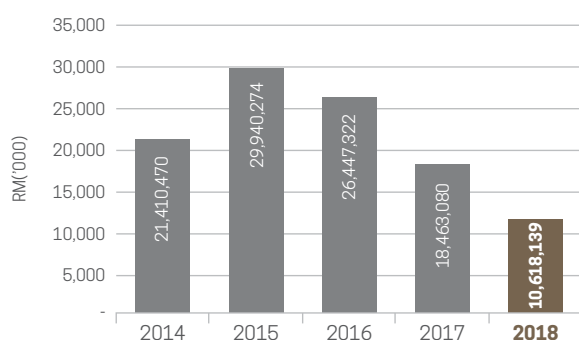
REVENUE



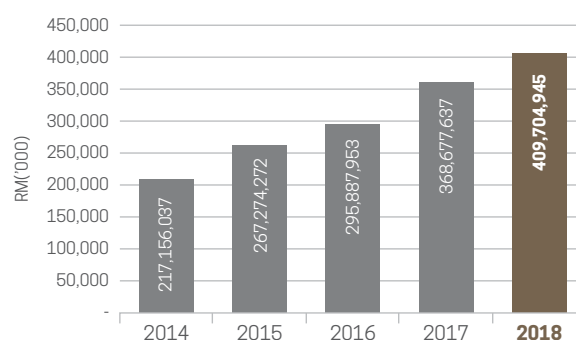
PROFIT BEFORE TAXATION



PROFIT AFTER TAXATION



TOTAL ASSETS



MANAGEMENT DISCUSSION & ANALYSIS

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OTHERS

Dear shareholders,

2018 proved to be a challenging period for the overall Malaysian economy, as the public and private sector as well as the general man-on-the-street grappled with the widespread effects brought on by the change of Government following the 14th General Election.

Resulting from this, Malaysia's Gross Domestic Product (GDP) growth only managed 4.7% expansion in 2018, compared to 5.9% in 2017. The construction sector bore the brunt of this transformation to register only 4.2% in 2018 from 6.7% in the previous year, as major Federal Government-funded infrastructure projects were subsequently reviewed, deferred or cancelled, leading to a period of uncertainty for the overall industry.

Nonetheless, Advancecon proved resilient despite the tumultuous operating environment, as evidenced by our continued streak of obtaining new contracts from our repeat clients. This testifies to our value proposition as a trusted partner and provider of integrated earthworks and civil engineering services for infrastructure players and top property developers in the country.

On this note, the Board of Directors is pleased to present to you the financial statements and Annual Report for the financial year ended 31 December 2018 ("FY2018").

BUSINESS OVERVIEW

Advancecon is a specialist provider of earthworks and civil engineering services, primarily for township developments and infrastructure projects in Malaysia.

Advancecon's wide range of earthworks services encompass excavation and fill, rock-blasting, erosion and sediment control plan, as well as compaction and surface finishing process. Other than that, Advancecon specialises in civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage works.

To date, the Group had completed earthworks and civil engineering works for notable projects nationwide, including various township developments such as Bandar Setia Alam, Eco Majestic, Setia EcoHill, Setia Eco Gardens, Tropicana Aman and Bandar Bukit Raja.

Furthermore, Advancecon is also an active participant in several prominent large infrastructure and highway projects such as the ongoing South Klang Valley Expressway, West Coast Expressway and Interchanges for Section 1 and Section 7A, Pan Borneo Highway in Sarawak and the completion of Trumpet Interchange and Ecohill Link connected to Lebuhraya Kajang Seremban (LEKAS) Highway.



MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)



OPERATIONS REVIEW

In line with our growth aspirations, we marked significant operational highlights in our second year as a listed entity.

- **Delivered and made steady progress in existing projects**

In keeping with our commitment to project delivery even in trying circumstances, Advancecon successfully completed and handed over four projects in FY2018 namely the site clearing and earthworks for Bandar Serai Development in Rawang, Bandar Bukit Raja in Klang, Setia Eco Glades in Cyberjaya and Tropicana Aman in Kota Kemuning.

- **New contracts secured**

Advancecon was able to triumph in the face of the intensely competitive landscape affecting the industry as we continued winning new contracts with a cumulative value of RM480.1 million in FY2018. This amount was significantly higher or 2.2 times more than the previous year's winnings at RM218.6 million, hence boding well for the Group's prospects.

More crucially, approximately one-third or RM177.7 million of FY2018's new wins were secured from existing clients to undertake subsequent phases for projects currently ongoing or completed in prior years. These repeat orders are namely Serenia City in Sepang, Bandar Bukit Raja in Klang and Eco Ardence in Shah Alam.

Advancecon's outstanding unbilled order book stood at RM845.4 million as at 31 December 2018 that will provide earnings visibility for the next 24 months.

- **Enhanced fleet of machinery**

As a result of increased order book and in anticipation of more upcoming tenders, the Group had expanded its resources to strengthen its project implementation as shown in the table below.

| Description | As at 31 Dec 2018 | As at 31 Dec 2017 | Variance % |
|---------------------------|----------------------|----------------------|---------------|
| Number of key machineries | 567 | 432 | 31.3 |
| Number of headcount | 759 | 662 | 14.7 |

FINANCIAL OVERVIEW

With the steady pace of progress billings for both ongoing and newly-secured projects, alongside the delivery of completed projects, the Group's revenue rose 2.6% to RM272.9 million for FY2018, compared to RM266.0 million in the previous year.

Revenue was mainly derived from the construction services segment, which contributed 99.8% of total revenue or RM272.5 million, while the property investment segment contributed the balance 0.2% or RM 0.4 million.

The Group's profit before taxation ("PBT"), however, declined to RM15.4 million in FY2018 against RM26.7 million in FY2017, that represented PBT margin of 5.6% and 10.0% respectively. Correspondingly, the Group reported lower profit after taxation ("PAT") of RM 10.6 million in FY2018 against RM 18.5 million in FY2017, that translated to PAT margin of 3.9% and 6.9% respectively.

For FY2018, the Group's PBT was adversely affected by increased depreciation charges (RM25.6 million versus RM21.0 million year-on-year ("y-o-y"), higher staff costs inclusive of ESOS charge (RM45.2 million versus RM40.8 million y-o-y), increased industrial diesel costs (RM28.7 million versus RM25.5 million y-o-y) as well as higher finance costs, in particular hire purchase interest (RM7.7 million versus RM5.4 million y-o-y).

In line with the reduction in PBT, the Group's PAT for FY2018 was also impacted by slight increase in effective tax rate of 31.2% mainly due to the gain from disposal of property being taxed based on income tax rather than Real Property Gains Tax as compared to 30.9% for FY2017.

Notwithstanding the above, the Group's balance sheet remained commendable for FY2018 as shown below:

| Financial Ratio | FY2018 | FY2017 |
|----------------------------|-------------------|-------------------|
| Current Ratio | 1.49 times | 1.49 times |
| Gross Gearing | 0.75 times | 0.62 times |
| Net Gearing | 0.68 times | 0.44 times |
| Total Equity | RM 180.34 million | RM 174.61 million |
| Net Asset Per Share | RM 0.45 | RM 0.43 |

The Board of Directors of Advancecon declared a first single-tier interim dividend of 1.0 sen per share in respect of FY2018, which was distributed to shareholders on 3 January 2019.

The dividend payout amounted to approximately RM4.0 million, which represented 38% of the Group's PAT, exceeding the Group's minimum dividend policy of 20%.



MANAGEMENT DISCUSSION & ANALYSIS (CONT'D)

MARKET OUTLOOK FOR 2019

The Group is cautiously optimistic in relation to the recovery of the construction sector as a whole in the second half of 2019. One of many reasons include the timely announcement by the state of Sarawak that a total of RM 9 billion will be allocated for development expenditure in its 2019 budget which will be funded by the state's reserves, estimated at RM 31 billion.

The expected projects suitably match the Group's core competency in bulk earthworks and major infrastructure, and as such the Group intends to reinforce its presence in Sarawak, having successfully entered the state via the award of two (2) Pan Borneo Sarawak Highway packages with a total contract sum of RM135.3 million, the first package being awarded back in year 2016. During FY2018, the Group had formed an associate company, Advancecon Sarawak Sdn Bhd with a 30% equity, to explore construction opportunities with the aim to expand its income base in East Malaysia.

APPRECIATION

I wish to convey my heartfelt appreciation to the Board, management team and our employees for your commitment towards delivering commendable results despite the challenging business environment. Advancecon's achievements today would not be made possible without your efforts.

Moreover, I wish to extend my deepest gratitude to our business partners, associates, suppliers, customers and also valued shareholders for maintaining their confidence in us.

In our corporate history spanning more than two decades, Advancecon has undergone numerous economic cycles. Hence, we know that an obstacle does not determine the outcome of a journey; in fact, we strongly believe that a united team can and will eventually overcome any hurdle. Going forward, we remain dedicated to reaching new heights as we chart our course towards becoming a leading player in Malaysia's construction industry.

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 2018 (“FY2018”). This statement is complemented with a CG Report based on a prescribed format pursuant to Paragraph 15.25 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“MMLR”). The CG Report is available on the Company’s website www.advancecon.com.my under the Investor Relations section as well as via an announcement on the website of Bursa Securities. 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 roles.

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 expressed 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 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 the Committees 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, Memorandum and Articles of Association (M&A) 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. 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.

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 procedure and sexual harassment.

The above list is not exhaustive and includes any act 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.

2. Board Composition

The current Board composition is in compliance with the M&A and exceeds the minimum one-third requirement of Independent Non-Executive Directors ("INED") as set out in the MMLR. The Directors' profiles are enclosed from pages 7 to 11 of this Annual Report ("AR").

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

According to the Company's Board Diversity Policy, the Board recognises the benefit of gender diversity. The appointment of Directors are 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 FY2018, the Board comprises four Executive Directors and three INED. The existing Directors' age distribution falls within the respective age group and is as follows:

| Age Group | 41-50 | 51-60 | 61 & above |
|---------------------|-------|-------|------------|
| Number of Directors | 1 | 3 | 3 |

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Board Composition (Cont'd)

a. Balance, Diversity and Skills (Cont'd)

The current diversity 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 Articles of Association ("Articles"), 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 Articles 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.

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 judgment to the Board and this mitigates risks arising from conflict 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 judgment as independent judgment 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 FY2018, none of the INED had served the Company exceeding a cumulative term limit of nine years as per the recommendations of the MCGG.

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 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 FY2018, 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 FY2018, the Board held a total of five meetings and the details of the attendance are as follows:-

| Director | Attendance in FY2018 |
|-------------------------------|-----------------------------|
| 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 | 4/5 |

The Directors have full and unrestricted access to all information pertaining to the 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 require from the Management or the Company Secretary well ahead of the meeting date, where necessary, in order to be properly briefed before each meetings. 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 Boards 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 fulfill their responsibilities.

During the FY 2018, the Directors attended the following trainings:

| Director | Training attended |
|--------------------|---|
| Yeoh Chong Keat | <ul style="list-style-type: none"> ▪ Audit Committee Conference-Internal Auditing in the Age of Disruption by Simon Tay Pit Eu, Dato' Lock Peng Kuan, Lee Tuck Heng, Devanesan Evanson, Alex Ooi, Dr Farouck Abdullah (Malaysian Institute of Accountants) ▪ Corporate Rescue Mechanism and Duties & Responsibilities of Company Directors & Officers Under Companies Act 2016 by Dr. Cheah Foo Seong (Norvic Corporate Services Sdn Bhd) ▪ Corporate Liability Provision-Offences by employees & Others and the implications on Directors, Partners and Management by Lee Min On |
| Dato' Phum Ang Kia | <ul style="list-style-type: none"> ▪ The Global Leadership Summit 2018 by Bill Hybel, Juliet Funt, Marcus Buckingham, Dato' Dr. Daniel Ho and Andy Stanley (Chin Hin Group) ▪ Corporate Liability Provision-Offences by employees & Others and the implications on Directors, Partners and Management by Lee Min On |
| Lim Swee Chai | <ul style="list-style-type: none"> ▪ Corporate Liability Provision-Offences by employees & Others and the implications on Directors, Partners and Management by Lee Min On |
| Ir. Yeo An Thai | <ul style="list-style-type: none"> ▪ ISO 9001:2015 Awareness by CK Seek (Ascenda Consulting Sdn Bhd) ▪ CG Briefing Session by Mohd Asri Ahmad (Bursa Malaysia) ▪ The Global Leadership Summit 2018 by Bill Hybel, Juliet Funt, Marcus Buckingham, Dato' Dr. Daniel Ho and Andy Stanley (Chin Hin Group) ▪ PMIMY International Symposium 2018 by Krishnan Srinivasan, Dr Viraj Perera, Sarah Schutte, Cynthia Zhai, Ybhg. Prof. Datuk Dr Leow Chee Seng, Maruthamutu Subramaniam, Dr Mazalan Abbas, Tya Adhitama, Rene Hillig, Sim Bock San and Herley Abdul Hamid (The Project Management Institute, Malaysia Chapter) ▪ Corporate Liability Provision-Offences by employees & Others and the implications on Directors, Partners and Management by Lee Min On ▪ AI on Cloud: Multi-dimensional analysis; benchmarking against industry and system generated action plans! by M. Nazri (Malaysian Investor Relations Association) |

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

2. Board Composition (Cont'd)

g. Directors' Training (Cont'd)

| Director | Training attended |
|-------------------------------|--|
| Tung Kai Hung | <ul style="list-style-type: none"> ▪ ISO 9001:2015 Awareness by CK Seek (Ascenda Consulting Sdn Bhd) ▪ Advocacy programme on CG assessment using the revised Asean CG scorecard methodology (Minority Shareholder Watchdog Group) ▪ Corporate Liability Provision-Offences by employees & Others and the implications on Directors, Partners and Management by Lee Min On |
| Mohd Zaky Bin Othman | <ul style="list-style-type: none"> ▪ CG Briefing Session by Mohd Asri Ahmad (Bursa Malaysia) ▪ Audit Committee Conference-Internal Auditing in the Age of Disruption by Simon Tay Pit Eu, Dato' Lock Peng Kuan, Lee Tuck Heng, Devanesan Evanson, Alex Ooi, Dr Farouck Abdullah (Malaysian Institute of Accountants) ▪ Corporate Rescue Mechanism and Duties & Responsibilities of Company Directors & Officers Under Companies Act 2016 by Dr. Cheah Foo Seong (Norvic Corporate Services Sdn Bhd) ▪ Advocacy programme on CG assessment using the revised Asean CG scorecard methodology (Minority Shareholder Watchdog Group) ▪ Corporate Liability Provision-Offences by employees & Others and the implications on Directors, Partners and Management by Lee Min On ▪ Power Talk - Will The Business Judgement Rule Help Directors Sleep Better At Night? by Prof Chee Keong Low, Philip T.N. Koh (Institute of Corporate Directors Malaysia) |
| Fathi Ridzuan Bin Ahmad Fauzi | <ul style="list-style-type: none"> ▪ Implementing The Companies Act 2016 & The MCCG 2017 by Raymond Corray and Devanesan Evanson (Bursatra Sdn Bhd) ▪ Audit Committee Conference-Internal Auditing in the Age of Disruption by Simon Tay Pit Eu, Dato' Lock Peng Kuan, Lee Tuck Heng, Devanesan Evanson, Alex Ooi, Dr Farouck Abdullah (Malaysian Institute of Accountants) ▪ Corporate Rescue Mechanism and Duties & Responsibilities of Company Direcotrs & Officers Under Companies Act 2016 by Dr. Cheah Foo Seong (Norvic Corporate Services Sdn Bhd) |

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 packages for Executive Directors are based on the industry practice and comprises 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 be abstained from deliberation and voting on decisions in respect of his individual remuneration package.

The remuneration paid and payable for FY2018 by the Company and the Group are as follows:

| Director | Company | | | | | Subsidiaries | | | | Total (RM) |
|-------------------------------|----------------------|---------------|------------|---------------------|--------------------------------|--------------|------------|---------------------|---------------------------|------------|
| | Directors' fees (RM) | Salaries (RM) | Bonus (RM) | Other benefits (RM) | Defined contribution plan (RM) | Salary (RM) | Bonus (RM) | Other benefits (RM) | Defined contribution (RM) | |
| Yeoh Chong Keat | 88,200 | | | 3,500 | | | | | | 91,700 |
| Dato' Phum Ang Kia | | 1,008,240 | 168,000 | 656 | 77,276 | | | | | 1,254,172 |
| Lim Swee Chai | | 819,240 | 136,500 | 616 | 54,636 | | | | | 1,010,992 |
| Ir. Yeo An Thai | | 649,440 | 108,200 | | 90,888 | | | | | 848,528 |
| Tung Kai Hung | | | | | | 378,240 | 63,000 | | 49,152 | 490,392 |
| Mohd Zaky Bin Othman | 63,000 | | | 3,500 | | | | | | 66,500 |
| Fathi Ridzuan Bin Ahmad Fauzi | 63,000 | | | 3,500 | | | | | | 66,500 |

b. Remuneration of Senior Management

Senior Management are those primarily responsible for managing the business operations and corporate divisions of the Group. The Board had deliberated and 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.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. AC

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

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

The members of the AC possess a mix of skill, knowledge and appropriate level of expertise and experience to enable them to discharge their duties and responsibilities pursuant to the TOR of the AC. In addition, the AC members are financial literately 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 ensuring 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, reviews 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 FY2018 is set out in pages 39 to 41 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 FY2018.

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

The AC had in January 2019 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 FY2018. The AC was also satisfied that the provision of the non-audit services by Crowe for FY2018 did not in any way impair their objectivity and independence as external auditors of the Company. Subsequently, the Board at its meeting held on 18 April 2019 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 FY2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

1. AC (Cont'd)

b. Assessment of Internal Auditor

The Group has appointed Messrs 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 from the management. They provide reasonable assurance of the effectiveness of the system of internal control of the Group.

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

- (i) Reviewed and approved the Internal Audit Plan for FY2018 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.
- (ii) Reviewed the Internal Audit Reports together with the recommendations from the Internal Auditors. The AC considered the Internal Auditors' recommendations taken into account Management's responses and upon which approved the Internal Auditors' proposals for rectification and implementation of the agreed remedial actions for improvement.
- (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 a sound system of internal controls and risk management. The Company has a risk management and internal control framework in place that provide the foundations and organisational arrangement on how we 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 ensuring 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 30 to 32 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 engages all its stakeholders through various platforms including the announcements via Bursa LINK, disclosures on Bursa Securities' 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 continually stress the importance of timely and equal dissemination of information to stakeholders.

2. Conduct of General Meetings

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

The Board took 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 Committee will present at the Twenty-Second AGM of the Company to enable the shareholders to raise questions and concerns directly to those responsible.

All the resolutions set out in the Notice of the Twenty-First AGM held on 27 June 2018 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 has been approved by the Board of Directors at its meeting on 18 April 2019.

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 activities.

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 information 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 independent Internal Auditor (IA).

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 the effectiveness of operational, 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, 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 2018, the total cost incurred for the outsourced internal audit function was RM68,000.

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 internal control system and risk management practices are able to meet the objectives of the Group and to facilitate good corporate governance.

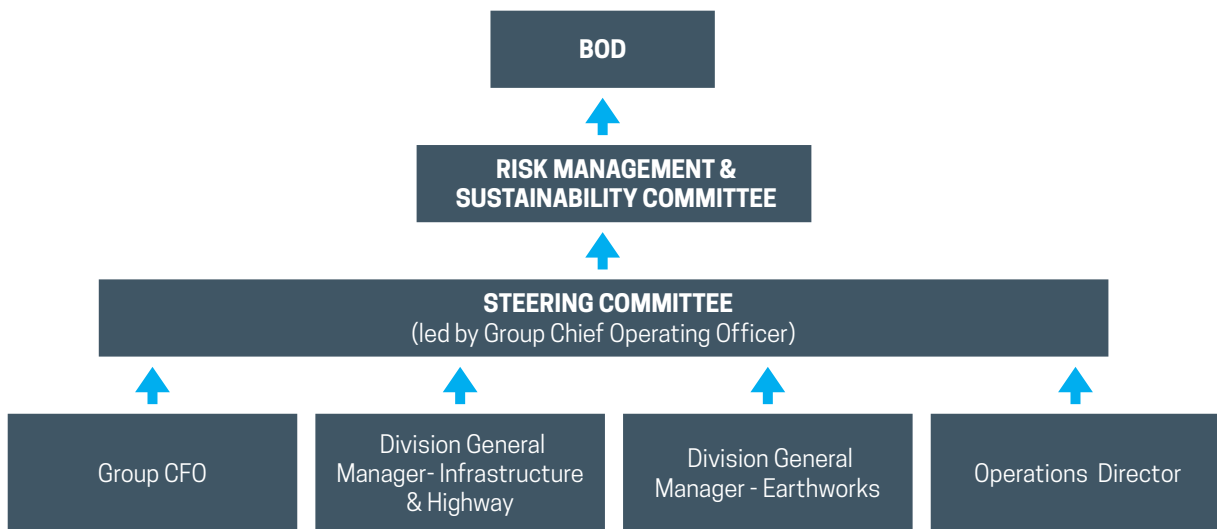
The statement has been approved by the Board of Directors at its meeting on 18 April 2019.

SUSTAINABILITY STATEMENT

This is our second year of reporting the Group’s sustainability initiatives. In light of the Group’s commitment to inculcate the culture of sustainability into our business operations, we continue to identify and formulate efforts and initiatives that will facilitate our sustainability goals and aspirations in the long term. Moving forward, we endeavour to continuously improve our sustainability reporting mechanisms taking into account our business practices that influences our economic performance (Economic), usage of natural resources (Environment) and impact on society (Social).

Our Sustainability Task Force Committee comprising key Senior Management Team was set up in December 2017 as this is our commitment to uphold and execute efforts that supports our sustainability agenda based on the materiality assessment matters duly identified by the Task Force Committee. We have also changed our Committee name to Sustainability Steering Committee in January 2019 to reinforce our commitment towards sustainability initiatives.

Governance Structure - Sustainability Steering Committee



We constantly engage with our internal stakeholders (employees and Management) and external stakeholders (clients and investors) to gauge the level of priority.

The diagram below indicates our Economic, Environment and Social (EES) matters for this year’s reporting purpose.



SUSTAINABILITY STATEMENT (CONT'D)

Our engagement with our stakeholders is through series of activities and frequency with the aim of understanding our stakeholders needs and ultimately create a long term value.

| Stakeholders | Engagement Methods | Frequency | Material Matters |
|--------------------------|--|---|--|
| Employees | Training | As and when required | Talent / Human Capital |
| | Safety briefings | Every new recruit for site office | Health & Safety Talent / Human Capital |
| | Induction training | Every new recruit | Talent / Human Capital |
| | Team Building and Annual Dinner | Annually | Talent / Human Capital |
| | Annual Performance Review | Annually | Talent / Human Capital |
| | Sports Club | 2 months once | Talent / Human Capital |
| Customers | Feedback form & ISO 9001:2015 (Quality Management System) | Annually and at the completion of each project | Customer Satisfaction |
| Investors / Shareholders | Annual General Meeting (AGM) And/ or Extraordinary General Meeting (EGM) | Annually As and when required | Economic Performance / Corporate Governance |
| | Investors Briefing, marketing roadshows /investors conference | Twice a year and as and when required | |
| | Corporate Website | Regular update | |
| Regulators | Filing and BURSA announcements | Regularly | Corporate Governance |
| Communities | Scheduled Waste Management | Regularly | Environment |
| | ISO 14001:2015 (Environmental Management System) | On-going compliance to achieve full certification | Environment |
| | Fund Raising event in support of Cancer Awareness | As and when required | Social |
| | Fund raising in aid of an employee who was undergoing cancer treatment | As and when required | Social |
| | BURSA Bull Charge 2018 | Yearly | Social |

Economic

As far as possible, the Group strives to attract local suppliers in our effort to boost the local economy. The Group has more than 350 active suppliers and our procurement standards are guided by ISO 9001:2015 Quality Management System where we aim to achieve a fair procurement process.

To spur sustainable economic growth within the Group, we are aware of the need to formulate business models that consider long term revenue generation for our shareholders as well as establishing sustainable market presence. The Group has consistently delivered strong financial performance over the years. The Group recorded a revenue of RM 272,860,464 and profit after tax of RM 10,618,137 for the financial year ended 31 December 2018.

Environmental

To ensure sound environmental practices, the Group consistently strives to improve its waste management and the Group is subject to periodic assessments by the relevant authorities and this ensures that the Group operates in an environmentally responsible manner.

Site workers were briefed on waste management procedures:-



▪ **Waste Management**

Our environmental commitments are embedded within Environmental Management system (ISO 14001) and we target to achieve full certification of ISO 14001:2015 by the end of 2019.

Efforts are on-going since we last reported that all scheduled waste generated from our project as well as from our corporate office are segregated and transported to designated disposal sites appropriately.

▪ **Health and Safety**

In our commitment towards health, safety and environment (HSE), trainings involving Hazard Identification, Risk Assessment and Risk Control (HIRARC) have been on going in our concerted effort to achieve Occupational Health and Safety Management System ISO 45001:2018 certification.

We also aim to obtain CIDB Safety and Health Assessment System In Construction (SHASSIC) award for all our current projects which have more than RM50 million project value. SHASSIC will be a benchmark for the level of Safety and Health performances in our Projects.



Site workers observing safety briefing

SOCIAL

Talent / Human Capital

We continue to build talents as being a service-based company, human capital is most important assets as their level of commitment and productivity are key factors to our continued success and overall performance.

As such, we continuously seek to attract the right skills and talents to meet the needs of the Group. Gender diversity is also an important component in strengthening our human capital. A diverse and inclusive workforce enriches our knowledge and broadens our skillsets by harnessing the various perspective in an organisation.

At the end of 2018, Advancecon has 759 employees. This represents an increase of 97 (14.65%) compared to 662 employees in the previous year.

Out of 759 employees, a total of 678 (89%) are male and 81 (11%) are female as construction sector is a male dominated industry.



Diverse and inclusive workforce



678 (89%)



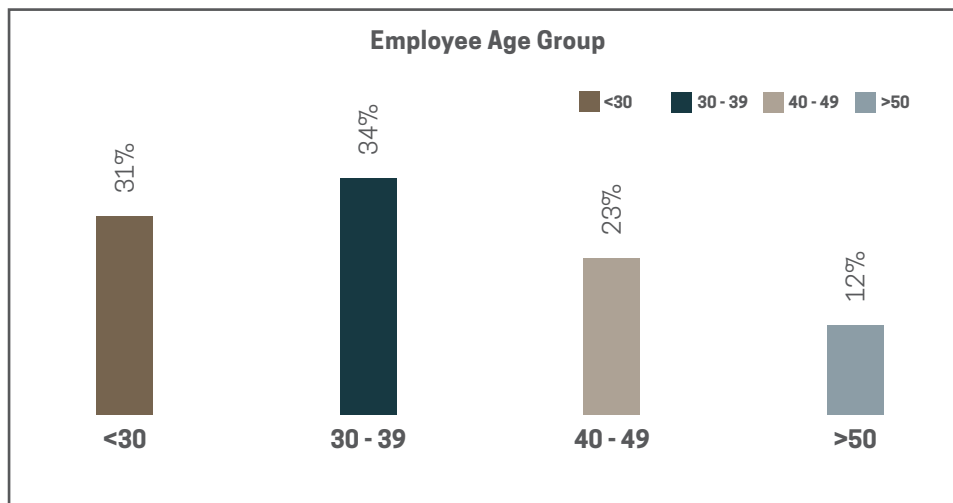
81 (11%)

SUSTAINABILITY STATEMENT (CONT'D)

(a) Employee composition based on Age Group

Our employees are the backbone of our business and ensure our continuous growth. Hence, priority is given to our workforce when it comes to recruiting the right talent and talent development at the Group.

We have no issue in our succession planning as 31% of our Employee Age Group are below 30 years of age and 34% are from the age of 30 to 39 years old. In summary, 65% of our employees are below 39 years old whilst 35% are 40 years and above.



(b) Training & Education

We have always been creating opportunities to grow and develop our people to reach their fullest potential. With this in mind, we invest in our employees by training them with in-demand skillsets and competence through in-house trainings and external trainings conducted by relevant professional bodies as well as government agencies like CIDB. In an industry known for its challenging working environment, we take occupational health and safety very seriously. We ensure our employees are trained and equipped with the health and safety knowledge for a conducive working environment.

For financial year ended 31 December 2018, we incurred a total of RM198,000 in trainings and this is equivalent to RM839 per employee.

Series of trainings to equip employees with health safety measures:-



Community

The Group is committed in community programme investment and other initiatives to contribute towards the betterment of local communities.

▪ **Cheque donation to employee**

On 14 February 2018, the Company had raised some funds and the total collection from the employees was RM23,000. The amount raised was for the benefit of one of our long serving employees, Ms Lee Yim Phaik.

Ms Lee was diagnosed with Stage 4 cancer, and we hope the contribution will assist her in her treatment.



Ir. Yeo handing total contribution to Ms. Lee

▪ **MAKNA – Breast Cancer awareness campaign**

Every year, thousands of Malaysians from all walks of life are diagnosed with cancer. Their lives are changed tremendously as they need to endure both the physical suffering and emotional uncertainty brought about by the disease. Often, cancer patients from poor financial backgrounds die not because the disease is incurable, but because they cannot afford the treatment.

In this regards, during the month of October 2018, Malaysian women empowerment organization, Project W launched fundraising pledges in conjunction with the Pink Pride Breast Cancer Awareness Campaign.

The campaign, initiated alongside MAKNA charity and 50gram, was aimed at arousing health awareness and to raise funds towards supporting breast cancer survivors.

MAKNA was founded to support cancer patients and their love ones in every way, whether it is providing patients with basic, daily necessities or enabling them to undergo important life saving treatments.



Through the event, Project W has brought in support from international brands such as Mamonde by Amorepacific, and public listed company, Advancecon Holdings Berhad.

The pledges were also made in the form of purchases of mini flower bouquet stands provided by 50Gram.

Contribution towards Yayasan MRCB's Charity Squash 2018.

Yayasan MRCB with the collaboration with Squash Racquet Association of Malaysia (SRAM) have organized Malaysian Open Squash Championship 2018, which was held on Sunday, 22nd July 2018 at the National Squash Centre, Bukit Jalil.

SUSTAINABILITY STATEMENT (CONT'D)

We participated in the said fund raising event and the funds generated were donated to SRAM for their Sport Educational activities which involved the underprivileged group and children with disabilities which is also in line with Yayasan MRCB's objectives. The fund raised was used to improve the lives of the underprivileged and needy communities such as the needy students in the 6 schools adopted by MRCB, the disabled youth empowerment programme and SRAM for their Sport Educational activities involving the underprivileged group and children with disabilities.

- **BURSA Bull Charge 2018**

As we are in our second year of listing, we continue to support BURSA Bull Charge event and this time the event was held on 27 September 2018.

Our contributions towards BURSA Bull Charge event was channelled towards registered underprivileged homes and orphanages with Yayasan BURSA Malaysia. The donations received help them to purchase necessities and defray their living expenses.



Team Advancecon with YB Ong Kian Ming, Deputy Minister of International Trade and Industry



Team Advancecon with Dato' Seri Tajuddin, the then CEO of Bursa Malaysia Berhad

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.

AUDIT COMMITTEE REPORT

OVERVIEW

BUSINESS OVERVIEW

CORPORATE GOVERNANCE AND FINANCIAL STATEMENT

OTHERS

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 2018 (“FY2018”).

AC Composition and Attendance

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

The AC currently comprises the following members:

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

In FY2018, the AC had met five times and had private discussions with the External Auditors and Internal Auditors without the presence of Executive Directors’ and Management’s presence. 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 | 4 / 5 |

During the FY2018, 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 on key issues discussed in the AC meeting at each Board meeting.

Terms Of Reference (“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.

AUDIT COMMITTEE REPORT (CONT'D)

Summary of Activities of the AC during the FY2018

During the FY2018, the summary of the activities carried out by the AC was as follow:

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.

2. Internal Audit

- (a) Reviewed and approved the Internal Audit Plan for FY2018 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 the Internal Auditors' recommendations taken into account Management's responses and upon which approved the Internal Auditors' proposals for rectification and implementation of the agreed remedial actions for improvement.
- (c) Undertook assessment of the performance of the Internal Auditors and reviewed its effectiveness of the audit processes.

3. External Audit

- (a) Discussed and deliberated the External Auditors' Audit Planning 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 2017 before recommending the same to the Board for approval.
- (d) Had discussions with the External Auditors and Internal Auditors without the presence of the Management to discuss on the matters in regards to the audit and financial statements.
- (e) Evaluated and reviewed the performance and independence of the External Auditors and make recommendation to the Board on their re-appointment and remuneration to the Board for ensuing year.

4. Related Party Transactions ("RPT")

- (a) Reviewed and recommended on quarterly basis the RPT presented by Management to the Board for approval, to ensure that these transactions are undertaken in the best interest of the Company, fair, reasonable and on normal commercial terms as well as 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 FY2018, the AC noted that there were no RRPT within the Group.

Summary of Activities of the AC during the FY2018 (Cont'd)

5. Annual Reporting

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

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

Reviewed and verified the options allocations pursuant to the ESOS of the Company during the financial year under review. The AC was satisfied that the allocation of options during the FY2018 was in compliance with the criteria set out in the ESOS By-Laws and by the ESOS Committee.

7. Others

- (a) Reviewed the Discretionary Authority Limit of the Company.
- (b) Reviewed the Whistle-Blowing Policy of the Company.

Training

During the FY2018, 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 19 to 29 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 auditable 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 FY2018, the Internal Auditors have performed their internal audit according to the approved internal audit plan. Internal Audit Reports were issued to the AC in each quarter and tabled during AC meetings. 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 30 to 32 of this Annual Report.

The cost incurred for the internal audit function in respect of the FY2018 was RM68,000 (FY2017: RM26,000).

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 judgements and estimates that are reasonable and prudent;
- ensured 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

As at 31 December 2018, the gross proceeds from the Initial Public Offering (“IPO”) amounting to approximately RM56.70 million was partially utilised from the date of listing in the following manner:

| No | Details of utilisation | Allocation of IPO Proceeds upon listing ⁽¹⁾ RM'000 | Allocation of IPO Proceeds upon listing (revised) RM'000 | Actual utilisation of IPO Proceeds RM'000 | Unutilised IPO Proceeds RM'000 | Estimated timeframe for utilisation (upon listing) |
|------|--|--|---|--|-----------------------------------|--|
| i. | Total Capital expenditures:- | 29,700 | 29,190 | (12,960) | 16,230 | Within 36 months |
| | (a) Purchase of new construction machinery and equipment | 15,100 | 15,100 | (12,960) | 2,140 | Within 24 months |
| | (b) Construction of new workshop | 14,600 | 14,090 ⁽²⁾ | - | 14,090 | Within 36 months |
| ii. | Repayment of bank borrowings | 12,500 | 12,455 ⁽²⁾ | (12,455) | - | Within 6 months |
| iii. | Working capital | 10,700 | 11,255 ⁽²⁾ | (11,255) | - | Within 24 months |
| iv. | Estimated listing expenses | 3,800 | 3,800 | (3,800) | - | Upon Listing |
| | | 56,700 | 56,700 | (40,470) | 16,230 | |

Notes:

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

(2) On 29 August 2018, the Board announced to re-allocate the utilisation of 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 2018 are as follows:

| Type of fee | Group (RM) | Company (RM) |
|---|------------|--------------|
| Audit Fees | 167,000 | 38,000 |
| Non-audit Fees | | |
| - Review of Statement of Risk Management and Internal Control | 5,000 | 5,000 |
| Total | 172,000 | 43,000 |

3. MATERIAL CONTRACTS

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

ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

4. EMPLOYEES SHARE OPTION SCHEME (“ESOS”)

The shareholders of the Company had via an Extraordinary General Meeting held on 18 January 2018 approved up to 15% of the total 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 on 6 March 2018, unless extended further.

The total number of options granted to the eligible Directors and employees of the Group and the outstanding options as at 31 December 2018 was set out in the table below:

| Description | Number of options as at 31 December 2018 |
|---|--|
| Granted during the financial year | 20,000,000 |
| Exercised during the financial year | - |
| Forfeited during the financial year | (380,000) |
| Outstanding options exercisable during the financial year | 19,620,000 |

The total number of options granted to the Directors and Senior Management, and outstanding options as at 31 December 2018 was set out in the table below:

| For the financial year ended 31 December 2018 | Directors | Senior Management | Other eligible employees | Total |
|---|-----------|-------------------|--------------------------|------------|
| Number of options granted | 3,800,000 | 6,200,000 | 10,000,000 | 20,000,000 |
| Number of options vested | - | - | - | - |
| Number of options forfeited | - | - | (380,000) | (380,000) |
| Number of options outstanding | 3,800,000 | 6,200,000 | 9,620,000 | 19,620,000 |

The percentage of options granted to Directors and Senior Management was as follows:

| Description | Since commencement up to 31 December 2018 |
|--|---|
| Aggregate maximum allocation applicable to Directors and Senior Management | 10,000,000 |
| Actual percentage granted | 50% |

The number of options granted to Independent Non-Executive Directors in respect of financial year ended 31 December 2018 was as follows:

| Directors | Number of options granted |
|-------------------------------|---------------------------|
| Yeoh Chong Keat | - |
| Mohd Zaky Bin Othman | - |
| Fathi Ridzuan Bin Ahmad Fauzi | - |

5. CONTRACT 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 2018 is set out on page 114 of the Annual Report.



FINANCIAL STATEMENTS

THE REPORT

| | |
|-----|---|
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DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of provision of 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 | 10,618,139 | 2,475,853 |
| Attributable to:- Owners of the Company | 10,618,139 | 2,475,853 |

DIVIDENDS

Dividend paid by the Company since 31 December 2017 is 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 |

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) there were no changes in the issued and paid-up share capital of the Company; and
- (b) there were no issues of debentures by the Company.

TREASURY SHARES

During the financial year, the Company purchased 1,161,000 of its issued ordinary shares from the open market at an average price of RM 0.29 per share. The total consideration paid for the purchase was RM339,077 including transaction costs. The shares purchased are being held as treasury shares in accordance with Section 127(6) of the Companies Act 2016 and are presented as a deduction from equity.

As at 31 December 2018, the Company held as treasury shares a total of 1,161,000 of its 402,079,000 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM 339,077. The details on 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 there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

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

CURRENT ASSETS

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

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

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

Dato' Phum Ang Kia and Lim Swee Chai are the directors of the Company's subsidiaries who served during the financial year until the date of this report.

DIRECTORS' INTERESTS

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

| | Number of Ordinary Shares | | | At 31.12.2018 |
|-------------------------------|---------------------------|-----------|-----------|------------------|
| | At 1.1.2018 | Bought | Sold | |
| The Company | | | | |
| <i>Direct Interests</i> | | | | |
| Dato' Phum Ang Kia | 95,563,750 | 1,000,000 | - | 96,563,750 |
| Lim Swee Chai | 51,488,250 | 1,550,000 | - | 53,038,250 |
| Ir. Yeo An Thai | 14,875,250 | - | - | 14,875,250 |
| Tung Kai Hung | 14,875,250 | - | 2,000,000 | 12,875,250 |
| Yeoh Chong Keat | 25,000 | - | - | 25,000 |
| Fathi Ridzuan bin Ahmad Fauzi | 25,000 | - | - | 25,000 |

| | Number of Options under ESOS | | | At 31.12.2018 |
|-------------------------|------------------------------|-----------|-----------|------------------|
| | At 1.1.2018 | Granted | Exercised | |
| The Company | | | | |
| <i>Direct Interests</i> | | | | |
| Dato' Phum Ang Kia | - | 1,000,000 | - | 1,000,000 |
| Lim Swee Chai | - | 1,000,000 | - | 1,000,000 |
| Ir. Yeo An Thai | - | 900,000 | - | 900,000 |
| Tung Kai Hung | - | 900,000 | - | 900,000 |

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

The other director holding office at the end of the financial year had no interest in shares, 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 34(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 33 (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 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The significant events occurring after the reporting period are disclosed in Note 42 to the financial statements.

AUDITORS

The auditors, Messrs. Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 29 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 56 to 137 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 2018 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 56 to 137 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

Lai Din (W668)
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 2018 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 56 to 137.

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 2018, 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.

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

| Revenue Recognition for Construction Contracts Refer to Note 28 to the financial statements | |
|---|---|
| Key Audit Matter | How our audit addressed the Key Audit Matter |
| <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"> ▪ Read all key contracts and discussed with management to obtain an understanding of the terms and risks to assess our consideration of whether revenue was appropriately recognised; ▪ Tested costs incurred to date to supporting documentation such as contractors' claim certificates; ▪ Assessed the management's assumptions in determining the percentage of completion of projects, estimations of revenue and costs, provisions for foreseeable losses, liquidated and ascertained damages as well as recoverability of billed receivables; ▪ Assessed the reasonableness of percentage of completion by comparing to certification by external parties; and ▪ Reviewed estimated profit and costs to complete and adjustments for job costing and potential contract losses. |

Key Audit Matters (Cont'd)

| Impairment assessment of trade receivables Refer to Note 10 to the financial statements | |
|--|---|
| Key Audit Matter | How our audit addressed the Key Audit Matter |
| The Group carries significant trade receivables and is exposed to credit risk, or the risk of counterparties defaulting. The assessment of the adequacy of the allowance for impairment losses involved judgement, which includes analysing historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms. | <p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of:- <ul style="list-style-type: none"> • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. ▪ Reviewed the ageing analysis of receivables and testing the reliability thereof; ▪ Reviewed subsequent cash collections for major receivables and overdue amounts; ▪ Made inquiries of management regarding the action plans to recover overdue amounts; ▪ Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection; ▪ Examined other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc.; and ▪ Evaluating the reasonableness and adequacy of the allowance for impairment recognised. |

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.

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

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.
- 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.

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

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
LLP0018817-LCA & AF 1018
Chartered Accountants

Chin Kit Seong
03030/01/2021 J
Chartered Accountant

Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2018

| | Note | The Group | | The Company | |
|---|------|--------------------|--------------------------|--------------------|-------------------|
| | | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Investments in subsidiaries | 5 | - | - | 11,209,389 | 10,328,312 |
| Investment in an associate | 6 | - | - | 30 | - |
| Property, plant and equipment | 7 | 151,196,756 | 151,367,890 | 6,869,174 | 6,895,481 |
| Investment properties | 8 | 39,222,108 | 32,927,635 | - | - |
| Other investments | | 50,315 | - | - | - |
| Deferred tax assets | 19 | 160,149 | - | 160,149 | - |
| Finance lease receivables | 9 | 2,748,578 | 1,691,881 | - | - |
| Trade receivables | 10 | - | 155,675 | - | - |
| | | 193,377,906 | 186,143,081 | 18,238,742 | 17,223,793 |
| CURRENT ASSETS | | | | | |
| Contract assets | 11 | 79,097,980 | 84,106,836 | - | - |
| Finance lease receivables | 9 | 890,840 | 399,149 | - | - |
| Trade receivables | 10 | 66,928,323 | 38,574,188 | - | - |
| Other receivables, deposits and prepayments | 12 | 25,004,362 | 7,993,583 | 4,091,704 | 587,010 |
| Amount owing by subsidiaries | 13 | - | - | 79,274,972 | 73,991,583 |
| Amount owing by an associate | | 5,288 | - | 3,788 | - |
| Short-term investments | 14 | 4,194,411 | 2,293,570 | 636,644 | - |
| Current tax assets | | 1,509,428 | 2,270,569 | 24,541 | - |
| Deposits with licensed banks | 15 | 32,637,176 | 22,315,291 | 248,314 | 4,841,101 |
| Cash and bank balances | | 7,708,889 | 24,581,370 | 276,477 | 2,574,423 |
| | | 217,976,697 | 182,534,556 | 84,556,440 | 81,994,117 |
| TOTAL ASSETS | | 411,354,603 | 368,677,637 | 102,795,182 | 99,217,910 |

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

STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2018 (CONT'D)

| | Note | The Group | | The Company | |
|-------------------------------------|------|--------------------|--------------------------|--------------------|-------------------|
| | | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Share capital | 16 | 85,752,871 | 85,752,871 | 85,752,871 | 85,752,871 |
| Treasury shares | 17 | (339,077) | - | (339,077) | - |
| Reserves | 18 | 1,116,498 | - | 1,116,498 | - |
| Retained profits | | 95,455,898 | 88,855,019 | 6,570,231 | 8,111,638 |
| TOTAL EQUITY | | 181,986,190 | 174,607,890 | 93,100,523 | 93,864,509 |
| NON-CURRENT LIABILITIES | | | | | |
| Deferred tax liabilities | 19 | 4,909,076 | 6,624,084 | - | 20,724 |
| Long-term borrowings | 20 | 78,790,418 | 64,746,151 | 4,216,150 | 464,524 |
| | | 83,699,494 | 71,370,235 | 4,216,150 | 485,248 |
| CURRENT LIABILITIES | | | | | |
| Contract liabilities | 11 | 20,679,138 | 8,976,387 | - | - |
| Trade payables | 23 | 49,147,250 | 44,793,675 | 15,808 | 27,964 |
| Other payables and accruals | 24 | 15,921,253 | 25,278,026 | 1,022,543 | 4,325,499 |
| Amount owing to subsidiaries | 13 | - | - | 110,883 | 250,059 |
| Dividend payable | 25 | 4,017,260 | - | 4,017,260 | - |
| Current tax liabilities | | 272,022 | 193,754 | - | 144,631 |
| Short-term borrowings | 26 | 51,176,455 | 40,556,315 | 312,015 | 120,000 |
| Bank overdrafts | 27 | 4,455,541 | 2,901,355 | - | - |
| | | 145,668,919 | 122,699,512 | 5,478,509 | 4,868,153 |
| TOTAL LIABILITIES | | 229,368,413 | 194,069,747 | 9,694,659 | 5,353,401 |
| TOTAL EQUITY AND LIABILITIES | | 411,354,603 | 368,677,637 | 102,795,182 | 99,217,910 |

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 2018

| | Note | The Group | | The Company | |
|--|------|---------------|---------------|-------------|-------------|
| | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| REVENUE | 28 | 272,860,464 | 265,988,572 | 7,941,089 | 12,410,000 |
| COST OF SALES | | (232,949,282) | (215,060,939) | (30,175) | (234,267) |
| GROSS PROFIT | | 39,911,182 | 50,927,633 | 7,910,914 | 12,175,733 |
| OTHER INCOME | | 10,027,133 | 5,874,699 | 209,482 | 585,740 |
| | | 49,938,315 | 56,802,332 | 8,120,396 | 12,761,473 |
| ADMINISTRATIVE EXPENSES | | (24,046,787) | (21,347,458) | (5,502,133) | (1,886,316) |
| OTHER EXPENSES | | (2,260,533) | (3,316,278) | (166,838) | (181,803) |
| FINANCE COSTS | | (7,762,518) | (5,403,324) | (177,906) | (47,221) |
| IMPAIRMENT LOSSES ON FINANCIAL ASSETS | | (433,050) | - | - | - |
| SHARE OF RESULT OF AN EQUITY ACCOUNTED ASSOCIATE | 6 | (30) | - | - | - |
| PROFIT BEFORE TAXATION | 29 | 15,425,397 | 26,735,272 | 2,273,519 | 10,646,133 |
| INCOME TAX EXPENSE | 30 | (4,807,258) | (8,272,192) | 202,334 | (79,583) |
| PROFIT AFTER TAXATION | | 10,618,139 | 18,463,080 | 2,475,853 | 10,566,550 |
| OTHER COMPREHENSIVE INCOME | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR | | 10,618,139 | 18,463,080 | 2,475,853 | 10,566,550 |
| PROFIT AFTER TAXATION ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | 10,618,139 | 18,463,080 | 2,475,853 | 10,566,550 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:- | | | | | |
| Owners of the Company | | 10,618,139 | 18,463,080 | 2,475,853 | 10,566,550 |
| Earnings per share (Sen) | | | | | |
| - Basic | 37 | 2.64 | 5.18 | | |
| - Diluted | 37 | 2.64 | 5.18 | | |

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | Note | Share Capital RM | Treasury Shares RM | Non- Distributable Employee Share Option Reserve RM | Distributable Retained Profits RM | Total RM |
|--|------|------------------------|--------------------------|---|--|-------------|
| The Group | | | | | | |
| Balance at 1.1.2017 | | 31,207,900 | - | - | 74,412,729 | 105,620,629 |
| Profit after taxation/ Total comprehensive income for the financial year | | - | - | - | 18,463,080 | 18,463,080 |
| Contribution by and distributions to owners of the Company: | | | | | | |
| - Issuance of shares | 16 | 56,700,000 | - | - | - | 56,700,000 |
| - Dividend | 31 | - | - | - | (4,020,790) | (4,020,790) |
| - Share issue expenses | 16 | (2,155,029) | - | - | - | (2,155,029) |
| Balance at 31.12.2017/ 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 | 31 | - | - | - | (4,017,260) | (4,017,260) |
| Balance at 31.12.2018 | | 85,752,871 | (339,077) | 1,116,498 | 95,455,898 | 181,986,190 |

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| | Note | Share Capital RM | Treasury Shares RM | Non- Distributable Employee Share Option Reserve RM | Distributable Retained Profits RM | Total RM |
|---|------|------------------------|--------------------------|---|--|-------------|
| The Company | | | | | | |
| Balance at 1.1.2017 | | 31,207,900 | - | - | 1,565,878 | 32,773,778 |
| Profit after taxation/ Total comprehensive income for the financial year | | - | - | - | 10,566,550 | 10,566,550 |
| Contribution by and distributions to owners of the Company: | | | | | | |
| - Issuance of shares | 16 | 56,700,000 | - | - | - | 56,700,000 |
| - Dividend | 31 | - | - | - | (4,020,790) | (4,020,790) |
| - Share issue expenses | 16 | (2,155,029) | - | - | - | (2,155,029) |
| Balance at 31.12.2017/ 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 | 31 | - | - | - | (4,017,260) | (4,017,260) |
| Balance at 31.12.2018 | | 85,752,871 | (339,077) | 1,116,498 | 6,570,231 | 93,100,523 |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

| | The Group | | The Company | |
|---|--------------|--------------------------|--------------|--------------|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES | | | | |
| Profit before taxation | 15,425,397 | 26,735,272 | 2,273,519 | 10,646,133 |
| Adjustments for:- | | | | |
| Allowance for impairment losses on trade receivables | 443,050 | - | - | - |
| Depreciation: | | | | |
| - investment properties | 527,363 | 466,410 | - | - |
| - property, plant and equipment | 25,042,509 | 20,485,991 | 190,062 | 242,425 |
| Interest expense | 7,762,518 | 5,403,324 | 177,906 | 47,221 |
| Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up | 231,417 | - | - | - |
| Property, plant and equipment written off | 6,003 | 315,761 | 61 | 2,953 |
| Share of result of an equity accounted associate | 30 | - | - | - |
| Share options expenses | 1,116,498 | - | 235,421 | - |
| Dividend income | - | - | (6,700,000) | (12,210,000) |
| Dividend income from short-term investments | (82,601) | (13,570) | (36,644) | - |
| Gain on disposal of an investment property | - | (153,823) | - | - |
| Gain on disposal of property, plant and equipment | (5,337,635) | (752,363) | (47,753) | (221,444) |
| Interest income: | | | | |
| - deposits with licensed banks | (1,040,792) | (839,011) | (24,549) | (236,749) |
| - trade receivables | - | (586) | - | (586) |
| - finance lease receivables | (113,018) | (30,030) | - | - |
| - others | (26,093) | (310,680) | - | (9,161) |
| Reversal of impairment losses on: | | | | |
| - trade receivables | - | (96,220) | - | - |
| - other receivables | - | (366,536) | - | - |
| Operating profit/(loss) before working capital changes | 43,954,646 | 50,843,939 | (3,931,977) | (1,739,208) |
| Decrease/(Increase) in contract assets | 5,008,856 | (31,438,412) | - | - |
| Increase/(Decrease) in contract liabilities | 11,702,751 | (11,381,904) | - | - |
| (Increase)/Decrease in trade and other receivables | (44,060,704) | 34,886,585 | (3,504,694) | 331,930 |
| Increase/(Decrease) in trade and other payables | 311,861 | (8,143,321) | (3,413,112) | 30,091 |
| Decrease in amount owing by subsidiaries | - | - | 147,769 | 10,208,631 |
| Decrease in amount owing to subsidiaries | - | - | - | (22,078) |
| CASH FROM/(FOR) OPERATIONS | | | | |
| CARRIED FORWARD | 16,917,410 | 34,766,887 | (10,702,014) | 8,809,366 |

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| | Note | The Group | | The Company | |
|--|-------|--------------|--------------------------|--------------|--------------|
| | | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| CASH FROM/(FOR) OPERATIONS | | | | | |
| BROUGHT FORWARD | | 16,917,410 | 34,766,887 | (10,702,014) | 8,809,366 |
| Interest paid | | (7,762,518) | (5,403,324) | (177,906) | (47,221) |
| Tax refund | | 866,578 | 408,827 | - | - |
| Tax paid | | (6,654,840) | (9,458,328) | (147,711) | (104,383) |
| Interest received from trade receivables | | - | 586 | - | 586 |
| NET CASH FROM/(FOR) OPERATING ACTIVITIES | | | | | |
| | | 3,366,630 | 20,314,648 | (11,027,631) | 8,658,348 |
| CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES | | | | | |
| Net cash flow from deconsolidation of subsidiaries under Member's Voluntary Winding Up | 5 | (1,943,359) | - | - | - |
| Investment in an associate | | (30) | - | (30) | - |
| Repayment from finance lease receivables | | 436,982 | 95,970 | - | - |
| Advances to subsidiaries | | - | - | (5,431,158) | (52,910,741) |
| Advances to an associate company | | (5,288) | - | (3,788) | - |
| Dividend received | | - | - | 6,700,000 | 12,210,000 |
| Dividend income from short-term investments | | 82,601 | 13,570 | 36,644 | - |
| Interest received | | 1,179,903 | 1,179,721 | 24,549 | 245,910 |
| Proceeds from disposal of an investment property | | - | 1,150,000 | - | - |
| Proceeds from disposal of property, plant and equipment | | 13,469,243 | 3,073,686 | 49,013 | 399,257 |
| Purchase of investment properties | | (1,514,189) | (3,315,549) | - | - |
| Purchase of property, plant and equipment | 32(a) | (16,022,039) | (17,900,000) | (67,076) | (1,272,510) |
| (Increase) / Decrease in deposits pledged with licensed banks | | (14,921,885) | 3,115,238 | (7,213) | (7,077) |
| Withdrawal / (Placement) of deposit with tenure more than three months | | 4,600,000 | (4,600,000) | 4,600,000 | (4,600,000) |
| NET CASH (FOR)/ FROM INVESTING ACTIVITIES | | | | | |
| | | (14,638,061) | (17,187,364) | 5,900,941 | (45,935,161) |

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

| Note | The Group | | The Company | |
|--|-----------------|--------------------------|-------------|--------------|
| | 2018 RM | 2017 RM (Restated) | 2018 RM | 2017 RM |
| CASH FLOWS FROM/(FOR) | | | | |
| FINANCING ACTIVITIES | | | | |
| Dividends paid | - | (13,520,790) | - | (13,520,790) |
| Proceeds from issuance of shares | - | 56,700,000 | - | 56,700,000 |
| Share issue expenses | - | (2,155,029) | - | (2,155,029) |
| Purchase of treasury shares | (339,077) | - | (339,077) | - |
| Repayment to subsidiaries | - | - | (139,176) | (224,833) |
| Repayment of hire purchase obligations | (24,355,185) | (21,570,792) | - | - |
| Drawdown of term loans | 13,751,244 | 3,522,909 | 4,166,276 | - |
| Repayment of term loans | (5,277,200) | (4,373,949) | (222,635) | (120,000) |
| Net drawdown of bankers' acceptances | 8,011,000 | 687,914 | - | - |
| Net drawdown of bank factoring | 1,815,805 | - | - | - |
| Net drawdown/(repayment) of invoice financing | 12,139,018 | (435,691) | - | - |
| Net (repayment)/drawdown of revolving credit | (11,000,000) | 8,000,000 | - | - |
| NET CASH (FOR)/FROM FINANCING ACTIVITIES | (5,254,395) | 26,854,572 | 3,465,388 | 40,679,348 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (16,525,826) | 29,981,856 | (1,661,302) | 3,402,535 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR | 23,973,585 | (6,008,271) | 2,574,423 | (828,112) |
| CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR | 32(c) 7,447,759 | 23,973,585 | 913,121 | 2,574,423 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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, 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 18 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of providing of 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 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 15: Effective Date of MFRS 15

Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRS Standards 2014 – 2016 Cycles:

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

3. BASIS OF PREPARATION (CONT'D)

3.1 MFRSs and/or IC Interpretations (Including The Consequential Amendments) (Cont'd)

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 other than the new classification of financial assets under MFRS 9 which is disclosed in Note 40.3 to the financial statements. This is because the measurement of financial assets under MFRS 9 and the timing and amount of revenue recognised under MFRS 15 are consistent to the Group's current practice.

The adjustments arose from changes in accounting policies as a consequence of the adoption of above accounting standards and interpretation (including the consequential amendments, if any) are presented in Note 43 to the financial statements.

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

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|-----------------------|
| MFRS 16 Leases | 1 January 2019 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 3: Definition of a Business | 1 January 2020 |
| Amendments to MFRS 9: Prepayment Features with Negative Compensation | 1 January 2019 |
| 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 119: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| Annual Improvements to MFRS Standards 2015 - 2017 Cycles | 1 January 2019 |

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 except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group has assessed the initial application of MFRS16 on its financial statements for the financial year ended 31 December 2018 is expected to have no material impact on the net profit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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.

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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) Classification of Leasehold Land

The classification of leasehold land as a finance lease or an operating lease requires the use of judgement in determining the extent to which risks and rewards incidental to its ownership lie. Despite the fact that there will be no transfer of ownership by the end of the lease term and that the lease term does not constitute the major part of the indefinite economic life of the land, management considered that the present value of the minimum lease payments approximated to the fair value of the land at the inception of the lease. Accordingly, management judged that the Group has acquired substantially all the risks and rewards incidental to the ownership of the land through a finance lease.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(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 on initial recognition for subsequent accounting under MFRS 9 (2017 – MFRS 139) 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 2018 (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 a 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.

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 2018 (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.

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.

Accounting Policies Applied Until 31 December 2017

As disclosed in Note 3.1 to the financial statements, the Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with their previous accounting policies as summarised below:-

- Financial assets were designated at fair value through profit or loss when the financial asset was either held for trading or was designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Financial assets at fair value through profit or loss were stated at fair value at each reporting date with any gain or loss arising on remeasurement recognised in profit or loss.
- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.6 INVESTMENTS IN ASSOCIATES

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.

Investments in associates 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 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 2018. 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 interest 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.

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 (2017 - MFRS 139). 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

| | |
|------------------------|---|
| Buildings | 2% |
| Leasehold land | Over the lease period of 86 to 97 years |
| Plant and machinery | 12% |
| Site equipment | 10% - 20% |
| Office equipment | 10% - 20% |
| Motor vehicles | 12% |
| Renovation | 20% |
| Furniture and fittings | 15% - 20% |

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 held under a leasehold interest 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 under construction are properties not ready for commercial use at the end of the reporting period.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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 years |

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 INVESTMENT PROPERTIES (CONT'D)

Investment properties under construction are stated at cost less any impairment losses and are 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.

4.9 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, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.9 IMPAIRMENT (CONT'D)

(a) Impairment of Financial Assets (Cont'd)

Accounting Policy Applied Until 31 December 2017

As disclosed in Note 3.1 to the financial statements, the Group has applied MFRS 9 retrospectively but has elected not to restate comparative information of its financial instruments. As a result, the comparative information on the impairment of Group's financial assets has been accounted for in accordance with its previous accounting policy as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(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 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 LEASED ASSETS

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

(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.

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

Operating Leases

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

4.11 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are 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 are 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.

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.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 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.

4.14 CASH AND CASH EQUIVALENTS

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

4.15 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 unwinding of the discount is recognised as interest expense in profit or loss.

4.16 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 EMPLOYEE BENEFITS (CONT'D)

(c) Share-based Payment Transactions (Cont'd)

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

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

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

4.17 CONTINGENT LIABILITIES

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

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

4.18 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.

4.19 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 the effects of all dilutive potential ordinary shares which comprise share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.21 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(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 most likely 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 in the period in which the services are rendered. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

(c) Rental Income

Revenue from providing renting services is recognised in the period in which the services are rendered. As a practical expedient, the Group and Company recognise revenue on a straight-line method over the period of service.

(d) 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. Following delivery, the customer has full discretion over the usage the goods, and bears the risks of obsolescence and loss in relation to the goods.

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.

(e) Rendering of Services

Revenue from providing dayworks services is recognised in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided in the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

5. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|--|-------------|------------|
| | 2018 RM | 2017 RM |
| Unquoted shares, at cost | 10,328,312 | 10,328,312 |
| Share options granted to employees of subsidiaries | 881,077 | - |
| | 11,209,389 | 10,328,312 |

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 |
|---|--|---|-----------|--|
| | | 2018 % | 2017 % | |
| Advancecon Infra Sdn. Bhd. | Malaysia | 100 | 100 | Providing earthworks and civil engineering services and sales of construction materials. |
| Advancecon Machinery Sdn. Bhd. | Malaysia | 100 | 100 | Providing earth-moving machineries for hire. |
| Advancecon Properties Sdn. Bhd. | Malaysia | 100 | 100 | Property investment. |
| SK-II Tipper & Truck Services Sdn. Bhd. | Malaysia | 100 | 100 | Providing tipper trucks for hire. |

5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries are as follows:- (Cont'd)

| Name of Subsidiary | Principal Place of Business/ Country of Incorporation | Percentage of Issued Share Capital Held by Parent | | Principal Activities |
|-----------------------------|--|---|--------|---|
| | | 2018 % | 2017 % | |
| Inspirasi Hebat Sdn. Bhd. | Malaysia | 100 | 100 | The company has temporarily ceased its operations. The company was principally engaged in the business of providing on-site rock crushing services. |
| ^ Advancecon Rock Sdn. Bhd. | Malaysia | 100 | 100 | In the process of Member's Voluntary Winding Up. |
| ^ Advancecon Trading | Malaysia | 100 | 100 | In the process of Member's Voluntary Winding Up. |

^ On 6 February 2018, Special Resolutions were passed by the shareholders of Advancecon Rock Sdn. Bhd. and Advancecon Trading 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 the subsidiaries from the Group.

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

| | The Group 2018 RM |
|--|-------------------------|
| Other receivables, deposits and prepayments | (1,648,585) |
| Current tax assets | 2,256 |
| Short-term investments | 1,781,758 |
| Cash and bank balances | 161,601 |
| Other payables and accruals | (15,298) |
| Carrying amount of net assets disposed of | 281,732 |
| Loss on deemed disposal of subsidiaries | (231,417) |
| Transfer to other investment # | (50,315) |
| | - |
| Proceeds from deemed disposals | ## |
| Less: cash and bank balances of subsidiaries disposed of | (1,943,359) |
| Net cash outflow from deemed disposal of subsidiaries | (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 2019.

There were no disposals or deemed disposal of subsidiaries in the last financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

6. INVESTMENTS IN AN ASSOCIATE

| | The Group | | The Company | |
|--------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Unquoted shares, at cost | 30 | - | 30 | - |
| Share of post-acquisition loss | (30) | - | - | - |
| | - | - | 30 | - |

The details of the associate are as follows:-

| Name of Associate | Principal Place of Business | Effective Equity Interest | | Principal Activity |
|--------------------------------|-----------------------------|---------------------------|-----------|--|
| | | 2018 % | 2017 % | |
| Advancecon (Sarawak) Sdn. Bhd. | Malaysia | 30 | - | Providing earthworks and civil engineering services and sales of construction materials. |

- (a) The associate was incorporated during the financial year.
- (b) Summarised financial information has not been presented as the associate is not material to the Group.

7. PROPERTY, PLANT AND EQUIPMENT

| 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 |
|--------------------------|----------------------|-----------------|-------------------------|---|-----------------|------------------|-------------------------------|------------------------|
| 2018 | | | | | | | | |
| <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 |
| 2017 | | | | | | | | |
| <i>Carrying Amount</i> | | | | | | | | |
| Leasehold land | 5,872,982 | 3,300,000 | - | - | - | - | (74,969) | 9,098,013 |
| Buildings | 2,222,090 | 2,073,680 | 5,379,372 | - | - | - | (138,265) | 9,536,877 |
| Plant and machinery | 80,888,364 | 62,236,110 | - | (2,187,000) | (1,769,212) | (299,005) | (18,000,098) | 120,869,159 |
| Site equipment | 1,076,379 | 774,691 | - | - | - | (12,427) | (311,316) | 1,527,327 |
| Office equipment | 433,163 | 196,605 | - | - | (1,048) | (4,210) | (160,279) | 464,231 |
| Motor vehicles | 9,277,165 | 2,724,794 | - | - | (551,063) | - | (1,772,619) | 9,678,277 |
| Renovation | 47,048 | 14,000 | - | - | - | - | (16,715) | 44,333 |
| Furniture and fittings | 64,894 | - | - | - | - | (119) | (11,730) | 53,045 |
| Capital work-in-progress | 5,207,354 | 268,646 | (5,379,372) | - | - | - | - | 96,628 |
| | 105,089,439 | 71,588,526 | - | (2,187,000) | (2,321,323) | (315,761) | (20,485,991) | 151,367,890 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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

| The Group | At Cost RM | Accumulated Depreciation RM | Carrying Amount RM |
|--------------------------|---------------------------|--|-----------------------------------|
| 2018 | | | |
| 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 |
| 2017 | | | |
| Leasehold land | 9,449,128 | (351,115) | 9,098,013 |
| Buildings | 10,088,752 | (551,875) | 9,536,877 |
| Plant and machinery | 172,027,636 | (51,158,477) | 120,869,159 |
| Site equipment | 2,838,095 | (1,310,768) | 1,527,327 |
| Office equipment | 1,194,609 | (730,378) | 464,231 |
| Motor vehicles | 14,989,002 | (5,310,725) | 9,678,277 |
| Renovation | 235,382 | (191,049) | 44,333 |
| Furniture and fittings | 116,106 | (63,061) | 53,045 |
| Capital work-in-progress | 96,628 | - | 96,628 |
| | 211,035,338 | (59,667,448) | 151,367,890 |

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

| The Company | At 1.1.2018 RM | Additions RM | Disposal RM | Write-off RM | Depreciation Charges RM | At 31.12.2018 RM |
|--------------------------|----------------------|-----------------|----------------|-----------------|-------------------------------|------------------------|
| 2018 | | | | | | |
| <i>Carrying Amount</i> | | | | | | |
| Leasehold land | 3,628,002 | - | - | - | (40,790) | 3,587,212 |
| Building | 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 |

| The Company | At 1.1.2017 RM | Additions RM | Disposals RM | Write-off RM | Depreciation Charges RM | At 31.12.2017 RM |
|------------------------|----------------------|-----------------|-----------------|-----------------|-------------------------------|------------------------|
| 2017 | | | | | | |
| <i>Carrying Amount</i> | | | | | | |
| Leasehold land | 344,149 | 3,300,000 | - | - | (16,147) | 3,628,002 |
| Building | 1,067,336 | 2,073,680 | - | - | (37,670) | 3,103,346 |
| Plant and machinery | 133,583 | - | (70,008) | - | (63,575) | - |
| Office equipment | 61,158 | 44,830 | - | (2,953) | (17,195) | 85,840 |
| Motor vehicles | 232,889 | - | (107,805) | - | (91,123) | 33,961 |
| Renovation | 47,047 | 14,000 | - | - | (16,715) | 44,332 |
| | 1,886,162 | 5,432,510 | (177,813) | (2,953) | (242,425) | 6,895,481 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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

| The Company | At Cost RM | Accumulated Depreciation RM | Carrying Amount RM |
|--------------------------|------------------|-----------------------------------|--------------------------|
| 2018 | | | |
| Leasehold land | 3,684,524 | (97,312) | 3,587,212 |
| Building | 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 |
| 2017 | | | |
| Leasehold land | 3,684,524 | (56,522) | 3,628,002 |
| Building | 3,265,939 | (162,593) | 3,103,346 |
| Plant and machinery | 39,815 | (39,815) | - |
| Site equipment | 250,265 | (250,265) | - |
| Office equipment | 211,183 | (125,343) | 85,840 |
| Motor vehicles | 310,619 | (276,658) | 33,961 |
| Renovation | 99,619 | (55,287) | 44,332 |
| Furniture and fittings | 5,210 | (5,210) | - |
| | 7,867,174 | (971,693) | 6,895,481 |

- (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 reporting year were the following assets acquired under hire purchase terms:-

| | The Group | |
|---------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Plant and machinery | 59,511,993 | 55,560,715 |
| Motor vehicles | 9,123,125 | 8,279,964 |
| | 68,635,118 | 63,840,679 |

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

(c) The carrying amounts of the following property, plant and equipment of the Group and of the Company were pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Notes 22, 26 and 27 to the financial statements:-

| | The Group | | The Company | |
|----------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Leasehold land | 16,817,327 | 5,810,335 | 3,587,212 | 340,324 |
| Buildings | 3,038,027 | 7,477,021 | 3,038,027 | 1,043,490 |
| | 19,855,354 | 13,287,356 | 6,625,239 | 1,383,814 |

8. INVESTMENT PROPERTIES

| | 2018 RM | The Group 2017 RM |
|---|-------------|-------------------------|
| Cost | | |
| At 1 January | 33,897,178 | 31,603,349 |
| Addition during the financial year | 1,514,189 | 3,315,549 |
| Disposal during the financial year | - | (1,021,720) |
| Transfer from property, plant and equipment to investment properties (Note 7) | 5,379,372 | - |
| At 31 December | 40,790,739 | 33,897,178 |
| Accumulated depreciation | | |
| At 1 January | (969,543) | (528,676) |
| Depreciation during the financial year | (527,363) | (466,410) |
| Disposal during the financial year | - | 25,543 |
| Transfer from property, plant and equipment to investment properties (Note 7) | (71,725) | - |
| At 31 December | (1,568,631) | (969,543) |
| Net carrying value | 39,222,108 | 32,927,635 |
| <i>Represented by:-</i> | | |
| Completed investment properties: | | |
| - leasehold land | 6,305,258 | 6,381,608 |
| - freehold land | 1,926,680 | 1,926,680 |
| - buildings | 30,990,170 | 21,594,897 |
| | 39,222,108 | 29,903,185 |
| Investment properties under construction: | | |
| - buildings | - | 3,024,450 |
| | 39,222,108 | 32,927,635 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

8. INVESTMENT PROPERTIES (CONT'D)

The fair values of the completed investment properties of the Group as at the reporting date are estimated at RM 43,168,536 (2017 - RM32,068,814) based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

At the end of the previous reporting period, the fair value of the investment properties under construction could not be reliably determined until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

Investment properties of the Group with a total carrying value of RM38,469,357 (2017 - RM32,261,585) have been charged to financial institutions for banking facilities granted to the Group as disclosed in Notes 22, 26 and 27 to the financial statements.

9. FINANCE LEASE RECEIVABLES

| | 2018 RM | The Group 2017 RM |
|--|------------|-------------------------|
| Minimum finance lease payments: | | |
| - not later than 1 year | 1,056,000 | 504,000 |
| - later than 1 year and not later than 5 years | 2,950,960 | 1,867,480 |
| | 4,006,960 | 2,371,480 |
| Less: Future finance charges | (367,542) | (280,450) |
| Present value of finance lease receivables | 3,639,418 | 2,091,030 |
| Analysed by:- | | |
| Current assets | 890,840 | 399,149 |
| Non-current assets | 2,748,578 | 1,691,881 |
| | 3,639,418 | 2,091,030 |

- (a) The Group entered into finance lease arrangements for certain of its earth-moving heavy equipment. All leases are denominated in RM. The average term of finance leases range from 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 9.49% (2017- 4.55% to 5.86%).
- (c) The finance lease receivables at the end of the reporting period are neither past due nor impaired.

10. TRADE RECEIVABLES

| | 2018 RM | The Group 2017 RM (Restated) |
|------------------------------------|------------|---------------------------------------|
| <u>Non-current</u> | | |
| Trade receivables | - | 155,675 |
| <u>Current</u> | | |
| Trade receivables | 67,381,641 | 38,584,456 |
| Allowance for impairment losses | (453,318) | (10,268) |
| | 66,928,323 | 38,574,188 |
| | 66,928,323 | 38,729,863 |
| Allowance for impairment losses:- | | |
| At 1 January | 10,268 | 106,488 |
| Addition during the financial year | 443,050 | - |
| Reversal during the financial year | - | (96,220) |
| At 31 December | 453,318 | 10,268 |

The Group's normal trade credit terms range from 5 to 60 (2017 - 5 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

11. CONTRACT ASSETS/(LIABILITIES)

| | 2018 RM | The Group 2017 RM (Restated) |
|---|--------------|---------------------------------------|
| Contract Assets | | |
| Contract assets relating to construction contracts | 79,097,980 | 84,106,836 |
| Contract Liabilities | | |
| Contract liabilities relating to construction contracts | (20,679,138) | (8,976,387) |

- (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 (2017- 1) year.

Included in contract assets are retention sum receivables totalling RM41,085,297 (2017 - RM34,583,754). The retention sums are expected to be collected within the periods ranging from 1 to 4 (2017 - 1 to 4) years.

- (b) The contract liabilities primarily relates 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 6 to 24 (2017 - 6 to 24) months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | The Group | | The Company | |
|---------------------------------------|-------------------|------------------|------------------|----------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Other receivables | 19,426,053 | 1,443,359 | 4,019,139 | 186,785 |
| Deposits | 2,295,920 | 2,576,990 | 45,040 | 54,480 |
| Prepayments | 1,850,693 | 1,732,912 | 14,162 | 19,620 |
| Goods and services tax recoverable | 1,431,696 | 2,240,322 | 13,363 | 326,125 |
| | 25,004,362 | 7,993,583 | 4,091,704 | 587,010 |
| Allowance for impairment losses:- | | | | |
| At 1 January | - | 446,536 | - | - |
| Reversal during the financial year | - | (366,536) | - | - |
| Written off during the financial year | - | (80,000) | - | - |
| At 31 December | - | - | - | - |

Included in other receivables of the Group at the end of reporting period is an amount of RM8,888,600 (2017 - Nil) being the remaining proceeds from the disposal of a piece of leasehold land during the financial year for a total consideration of RM9,070,000.

13. AMOUNTS OWING BY/(TO) SUBSIDIARIES

| | The Company | |
|--------------------|-------------------|-------------------|
| | 2018 RM | 2017 RM |
| Amount owing by:- | | |
| Trade balances | 632,571 | 780,340 |
| Non-trade balances | 78,642,401 | 73,211,243 |
| | 79,274,972 | 73,991,583 |
| Amount owing to:- | | |
| Non-trade balances | (110,883) | (250,059) |

- (a) The trade balances are subject to a normal trade credit term of 30 (2017 - 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.

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 RM32,637,176 and RM248,314 (2017 - RM17,715,291 and RM241,101) which has been pledged to licensed banks as security for banking facilities granted to the Group and the Company as disclosed in Notes 22, 26, and 27 to the financial statements.

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

| | The Group | | The Company | |
|--------------------------|--------------|--------------|-------------|--------------|
| | 2018 % | 2017 % | 2018 % | 2017 % |
| Effective interest rates | 2.90 to 3.50 | 2.70 to 3.65 | 3.25 | 3.00 to 3.65 |

The maturity periods of the deposits were as follows:-

| | The Group | | The Company | |
|------------------------|-----------|-----------|-------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| Maturity period (days) | 30 to 365 | 30 to 365 | 365 | 180 to 365 |

16. SHARE CAPITAL

| | 2018 | The Group/The Company | | 2017 |
|---------------------------------|------------------|-----------------------|------------|-------------|
| | Number of shares | 2017 | 2018 | RM |
| Issued and Fully Paid-Up | | | | |
| Ordinary shares | | | | |
| At 1 January: | 402,079,000 | 312,079,000 | 85,752,871 | 31,207,900 |
| - Issue of shares | - | 90,000,000 | - | 56,700,000 |
| - Share issue expenses | - | - | - | (2,155,029) |
| At 31 December | 402,079,000 | 402,079,000 | 85,752,871 | 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

17. TREASURY SHARES

During the financial year, the Company has purchased 1,161,000 (2017 - Nil) of its issued ordinary shares from the open market at an average price of RM 0.29 (2017 - Nil) per share between the months of October to December (2017 - Nil). The total consideration paid for the purchase was RM 339,077 (2017 - Nil) including transaction costs. The ordinary shares purchased are held as treasury shares in accordance with Section 127(6) of the Companies Act 2016.

Of the total 402,079,000 (2017 - 402,079,000) issued and fully paid-up ordinary shares at the end of the reporting period, 1,161,000 (2017 - Nil) ordinary shares are held as treasury shares by the Company. None (2017 - Nil) of the treasury shares were resold or cancelled during the financial year.

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.

18. RESERVES (CONT'D)

Employee Share Option Reserve (Cont'd)

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

| Date of Offer | Exercise Price | Contractual Life of Options | Number of Options over Ordinary Shares | | | | | At 31 December 2018 |
|-------------------|----------------|-----------------------------|--|------------|-----------|--------|-----------------|---------------------|
| | | | At 1 January 2018 | Granted | Exercised | Lapsed | At 31 Forfeited | |
| 20 September 2018 | RM0.35 | 2 Years | - | 20,000,000 | - | - | (380,000) | 19,620,000 |

The options which were forfeited during the financial year were due to resignation of employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

18. RESERVES (CONT'D)

Employee Share Option Reserve (Cont'd)

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 the any other company.

During the financial year, the Company has granted 20,000,000 (2017 - Nil) 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.

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:-

| | The Group/The Company 2018 | 2017 |
|--|-------------------------------|------|
| 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)

| | The Group | | The Company | |
|--|-------------|-------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| At 1 January | (6,624,084) | (4,734,467) | (20,724) | (101,734) |
| Recognised in profit or loss (Note 30) | 1,875,157 | (1,889,617) | 180,873 | 81,010 |
| At 31 December | (4,748,927) | (6,624,084) | 160,149 | (20,724) |

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

| | The Group | | The Company | |
|--|-------------|-------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Deferred tax assets:- | | | | |
| Unutilised tax losses | 171,529 | - | 171,529 | - |
| Deferred tax liabilities:- | | | | |
| Accelerated capital allowances over depreciation | (5,060,611) | (6,464,245) | (11,380) | (20,724) |
| Others | 140,155 | (159,839) | - | - |
| | (4,748,927) | (6,624,084) | 160,149 | (20,724) |

20. LONG-TERM BORROWINGS

| | The Group | | The Company | |
|----------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Hire purchase payables (Note 21) | 45,947,568 | 43,371,501 | - | - |
| Term loans (Note 22) | 32,842,850 | 21,374,650 | 4,216,150 | 464,524 |
| | 78,790,418 | 64,746,151 | 4,216,150 | 464,524 |

21. HIRE PURCHASE PAYABLES

| | The Group | |
|--|-------------|-------------|
| | 2018 RM | 2017 RM |
| Minimum hire purchase payments: | | |
| - not later than 1 year | 18,959,609 | 16,221,432 |
| - later than 1 year and not later than 5 years | 49,533,979 | 47,683,384 |
| | 68,493,588 | 63,904,816 |
| Less: Future finance charges | (6,595,617) | (7,231,385) |
| | 61,897,971 | 56,673,431 |
| Analysed by:- | | |
| Current liabilities (Note 26) | 15,950,403 | 13,301,930 |
| Non-current liabilities (Note 20) | 45,947,568 | 43,371,501 |
| | 61,897,971 | 56,673,431 |

22. TERM LOANS

| | The Group | | The Company | |
|-----------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Current liabilities (Note 26) | 2,206,899 | 5,201,055 | 312,015 | 120,000 |
| Non-current liabilities (Note 20) | 32,842,850 | 21,374,650 | 4,216,150 | 464,524 |
| | 35,049,749 | 26,575,705 | 4,528,165 | 584,524 |

22. 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 | |
|-----------|-----------------------|-------------------------------|-----------------------------------|---------------------------------|------------|-----------------------------------|------------|
| | | | | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| 1 | 10,000 | 120 | November 2012 | 464,524 | 584,524 | 464,524 | 584,524 |
| 2 | 2,587 | 300 | January 2016 | 426,520 | 437,435 | - | - |
| 3 | 1,995 | 300 | January 2016 | 328,824 | 337,239 | - | - |
| 4 | 2,431 | 300 | January 2016 | 400,840 | 411,098 | - | - |
| 5 | 2,452 | 300 | January 2016 | 398,460 | 411,379 | - | - |
| 6 | 28,833 | 240 | July 2017 | 4,339,040 | 4,482,602 | - | - |
| 7 | 3,209 | 168 | February 2016 | 334,862 | 357,322 | - | - |
| 8 | 6,172 | 180 | February 2017 | 621,169 | 647,814 | - | - |
| 9 | 4,662 | 180 | February 2017 | 469,046 | 489,332 | - | - |
| 10 | 8,967 | 240 | February 2018 | 1,363,046 | 1,394,618 | - | - |
| 11 | 5,147 | 240 | April 2017 | 762,139 | 785,868 | - | - |
| 12 | 5,567 | 240 | August 2017 | 822,880 | 850,082 | - | - |
| 13 | 9,320 | 240 | July 2018 | 1,438,698 | 726,600 | - | - |
| 14 | 8,580 | 240 | July 2018 | 1,325,273 | 669,300 | - | - |
| 15 | 7,600 | 240 | August 2016 | 1,087,259 | 1,124,234 | - | - |
| 16 | 30,337 | 120 | February 2017 | 2,935,421 | 3,284,166 | - | - |
| 17 | 2,593 | 300 | January 2018 | 446,191 | 456,600 | - | - |
| 18 | 2,904 | 300 | January 2018 | 499,624 | 511,200 | - | - |
| 19 | 200,000 | 23 | December 2016 | - | 3,400,000 | - | - |
| | Balloon repayment | 1 | | | | | |
| 20 | 23,809 | 84 | February 2017 | 1,452,385 | 1,738,097 | - | - |
| 21 | 47,619 | 84 | February 2017 | 2,904,771 | 3,476,195 | - | - |
| 22 | 31,870 | 180 | June 2018 | 4,063,641 | - | 4,063,641 | - |
| 23 | 36,990 | 180 | December 2018 | 3,871,372 | - | - | - |
| 24 | 41,020 | 180 | December 2018 | 4,293,764 | - | - | - |
| | | | | 35,049,749 | 26,575,705 | 4,528,165 | 584,524 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

22. 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 deposits 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 property 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 property 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; and
 - (iii) 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; and
 - (iii) a joint and several guarantee of two of the directors of the Company.
- (g) Term loan 10 is secured by:-
- (i) a facility agreement for the sum of RM1,399,400;
 - (ii) a deed of assignment and a power of attorney over a unit of office suite of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee of two of the directors of the Company; and
 - (v) an assignment of rental proceeds over a unit of office suite of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

22. TERM LOANS (CONT'D)

- (h) Term loan 11 is secured by:-
- (i) a facility agreement for the sum of RM803,280;
 - (ii) a deed of assignment and a power of attorney over a unit of double storey terrace house of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee of two of the directors of the Company.
- (i) Term loan 12 is secured by:-
- (i) a facility agreement for the sum of RM868,800;
 - (ii) a deed of assignment and a power of attorney over a unit of double storey semi-detached house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee of two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.
- (j) Term loan 13 is secured by:-
- (i) a facility agreement for the sum of RM1,453,200;
 - (ii) a deed of assignment and power attorney over a unit of double storey semi-detached house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee of two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.
- (k) Term loan 14 is secured by:-
- (i) a facility agreement for the sum of RM1,338,600;
 - (ii) a deed of assignment and power attorney over a unit of double storey semi-detached house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee of two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.
- (l) Term loan 15 is secured by:-
- (i) a facility agreement for the sum of RM1,175,915;
 - (ii) a legal charge over a unit of double storey zero lot bungalow of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee of two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey zero lot bungalow of a subsidiary.
- (m) Term loan 16 is 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 during the 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.

22. 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 property 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 loan 19 was secured by:-
- (i) a corporate guarantee of the Company;
 - (ii) a joint and several guarantee of two of the directors of the Company; and
 - (iii) a third party all monies first legal charge of a subsidiary.
- (p) Term loans 20 and 21 are secured by:-
- (i) a corporate guarantee of the Company; and
 - (ii) the deposits with a licensed bank of a subsidiary.
- (q) Term loan 22 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 unit of 5 storey shop office; and
 - (iii) a basic buiding debenture over the property.
- (r) Term loan 23 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.
- (s) Term loan 24 is secured by:-
- (i) a 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

23. TRADE PAYABLES

| | The Group | | The Company | |
|----------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Trade payables | 38,929,299 | 35,879,912 | 15,808 | 27,964 |
| Retention sums | 10,217,951 | 8,913,763 | - | - |
| | 49,147,250 | 44,793,675 | 15,808 | 27,964 |

- (a) The normal trade credit terms granted to the Group and the Company range from 14 to 60 (2017 - 14 to 60) days.
- (b) The retention sums are unsecured, interest-free and expected to be paid within a period of 1 to 4 (2017 - 1 to 4) years.

24. OTHER PAYABLES AND ACCRUALS

| | The Group | | The Company | |
|----------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Other payables | 9,632,295 | 12,372,331 | 337,671 | 4,234,799 |
| Accruals | 6,288,958 | 12,905,695 | 684,872 | 90,700 |
| | 15,921,253 | 25,278,026 | 1,022,543 | 4,325,499 |

25. DIVIDEND PAYABLE

| | The Group/The Company | |
|--|-----------------------|------|
| | 2018 | 2017 |
| In respect of the financial year ended 31 December 2018: | | |
| - First interim single-tier dividend of 1 sen per ordinary share | 4,017,260 | - |

The above dividend had been paid subsequently to the shareholders on 3 January 2019.

26. SHORT-TERM BORROWINGS

| | The Group | | The Company | |
|----------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Hire purchase payables (Note 21) | 15,950,403 | 13,301,930 | - | - |
| Term loans (Note 22) | 2,206,899 | 5,201,055 | 312,015 | 120,000 |
| Bankers' acceptances | 12,047,000 | 4,036,000 | - | - |
| Bank factoring | 1,815,805 | - | - | - |
| Invoice financing | 16,156,348 | 4,017,330 | - | - |
| Revolving credit | 3,000,000 | 14,000,000 | - | - |
| | 51,176,455 | 40,556,315 | 312,015 | 120,000 |

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

- (a) the deposits with licensed banks of a subsidiary;
- (b) a joint and several guarantee of two of the directors of the Company;
- (c) a corporate guarantee of the Company; and
- (d) a legal charge over a few buildings and a few pieces of leasehold land of a subsidiary.

27. BANK OVERDRAFTS

The bank overdrafts are secured by:-

- (a) a legal charge over a building and a piece of leasehold land of a subsidiary;
- (b) a corporate guarantee of the Company;
- (c) the deposits with licensed banks of the Company and certain subsidiaries;
- (d) a joint and several guarantee of two of the directors of the Company; and
- (e) a deed of assignment of certain contract proceeds by a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

28. REVENUE

| | The Group | | The Company | |
|--|-------------|-------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| <u>Revenue recognised at a point in time</u> | | | | |
| Sale of goods | 19,473,770 | 19,027,750 | - | - |
| Hiring of machinery | 1,271,727 | 535,040 | 12,000 | 200,000 |
| Day work revenue | 2,513,094 | 703,892 | - | - |
| Rental income | 344,131 | 280,433 | - | - |
| Cabin living quarters rental | 1,411 | 6,399 | - | - |
| Dividend income | - | - | 6,700,000 | 12,210,000 |
| Management fee | - | - | 1,229,089 | - |
| <u>Revenue recognised over time</u> | | | | |
| Contract revenue | 249,256,331 | 245,435,058 | - | - |
| | 272,860,464 | 265,988,572 | 7,941,089 | 12,410,000 |

- (a) The disaggregation of revenue is presented under "Operating Segment" in Note 38 to the financial statements.
- (b) The transaction price allocated to the remaining performance obligation that are 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 less):-

| | The Group | | | Total |
|------------------|-------------|-------------|-------------|-------------|
| | 2019 RM | 2020 RM | 2021 RM | RM |
| Contract revenue | 245,817,454 | 250,229,305 | 250,229,305 | 746,276,064 |

Comparative information is not presented by virtue of the exemption given in MFRS 15.C5(d).

29. PROFIT BEFORE TAXATION

| | The Group | | The Company | |
|---|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Profit before taxation is arrived at after charging/(crediting):- | | | | |
| Allowance for impairment losses on trade receivables | 443,050 | - | - | - |
| Auditors' remuneration: | | | | |
| - statutory audit | 167,000 | 125,000 | 38,000 | 38,000 |
| - non-statutory audit | 5,000 | 195,600 | 5,000 | 195,600 |
| Depreciation: | | | | |
| - investment properties | 527,363 | 466,410 | - | - |
| - property, plant and equipment | 25,042,509 | 20,485,991 | 190,062 | 242,425 |
| Direct operating expenses on investment properties: | | | | |
| - income generating investment properties | 79,531 | 55,546 | - | - |
| - non-income generating investment properties | 210,233 | 135,455 | - | - |
| Directors' remuneration (Note 33(a)) | 4,045,027 | 3,640,103 | 3,503,420 | 443,138 |

29. PROFIT BEFORE TAXATION (CONT'D)

| | The Group | | The Company | |
|---|-------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Interest expense: | | | | |
| - bank factoring | 89,717 | 99,006 | - | - |
| - bank overdrafts | 521,479 | 610,134 | 14,475 | 16,017 |
| - bankers' acceptances | 416,330 | 163,932 | - | - |
| - hire purchase | 3,604,389 | 2,523,868 | - | - |
| - invoice financing | 988,493 | 436,633 | - | - |
| - revolving credit | 510,561 | 188,586 | - | - |
| - term loans | 1,631,549 | 1,381,165 | 163,431 | 31,204 |
| Property, plant and equipment written off | 6,003 | 315,761 | 61 | 2,953 |
| Share of result of an equity accounted associate | 30 | - | - | - |
| Staff costs (including other key management personnel as disclosed in Note 33(b): | | | | |
| - salaries, bonuses, allowances and wages | 38,367,349 | 36,273,615 | 911,630 | 58,750 |
| - defined contribution plans | 3,090,287 | 2,526,157 | 110,438 | 7,134 |
| - share option expenses | 900,255 | - | 70,393 | - |
| - other benefits | 2,619,230 | 2,027,831 | 70,682 | 63,516 |
| Compensation received from trade receivables arising from litigation | - | (20,800) | - | (20,800) |
| Dividend income from short-term investments | (82,601) | (13,570) | (36,644) | - |
| Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up | 231,417 | - | - | - |
| Gain on disposal of an investment property | - | (153,823) | - | - |
| Gain on disposal of property, plant and equipment | (5,337,635) | (752,363) | (47,753) | (221,444) |
| Interest income: | | | | |
| - deposits with licensed banks | (1,040,792) | (839,011) | (24,549) | (236,163) |
| - trade receivables | - | (586) | - | (586) |
| - finance lease receivables | (113,018) | (30,030) | - | - |
| - others | (26,093) | (310,680) | - | (9,161) |
| Reversal of impairment losses on: | | | | |
| - trade receivables | - | (96,220) | - | - |
| - other receivables | - | (366,536) | - | - |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

30. INCOME TAX EXPENSE

| | The Group | | The Company | |
|--|-------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Current tax: | | | | |
| - current financial year | 6,512,697 | 6,358,177 | - | 166,922 |
| - under/(over)provision in the previous financial year | 112,718 | 24,398 | (21,461) | (6,329) |
| Real property gains tax | 57,000 | - | - | - |
| | 6,682,415 | 6,382,575 | (21,461) | 160,593 |
| Deferred tax (Note 19): | | | | |
| - origination and reversal of temporary differences | (940,798) | 2,249,119 | (180,873) | (81,010) |
| - overprovision in the previous financial year | (934,359) | (359,502) | - | - |
| | (1,875,157) | 1,889,617 | (180,873) | (81,010) |
| | 4,807,258 | 8,272,192 | (202,334) | 79,583 |

For years of assessment 2017 and 2018, the Malaysian statutory tax rate will be reduced by 1% to 4%, based on the prescribed incremental percentage of chargeable income from business, compared to that of the immediate preceding year of assessment.

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

| | The Group | | The Company | |
|--|------------|------------|-------------|-------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Profit before taxation | 15,425,397 | 26,735,272 | 2,273,519 | 10,646,133 |
| Tax at the statutory tax rate of 24% | 3,702,095 | 6,416,465 | 545,645 | 2,555,072 |
| Tax effects of:- | | | | |
| Non-deductible expenses | 2,612,534 | 2,280,189 | 890,277 | 461,240 |
| Non-taxable income | (652,765) | (38,337) | (1,616,795) | (2,930,400) |
| Real property gains tax | 57,000 | - | - | - |
| Deferred tax assets not recognised during the financial year | 4,351 | 2,409 | - | - |
| Utilisation of deferred tax assets previously not recognised | - | (53,430) | - | - |
| Under/(Over)provision in the previous financial year: | | | | |
| - current tax | 112,718 | 24,398 | (21,461) | (6,329) |
| - deferred tax | (934,359) | (359,502) | - | - |
| Differential in tax rates | (94,316) | - | - | - |
| Income tax expense for the financial year | 4,807,258 | 8,272,192 | (202,334) | 79,583 |

30. INCOME TAX EXPENSE (CONT'D)

Income tax savings during the financial year arising from:-

| | The Group | |
|--|------------|------------|
| | 2018 RM | 2017 RM |
| Utilisation of deferred tax assets previously not recognised arising from: | | |
| - tax losses | - | 10,495 |
| - capital allowances | - | 48 |
| | - | 10,543 |

No deferred tax assets are recognised at the end of the reporting period in respect of the following items:-

| | The Group | |
|-------------------------------|------------|------------|
| | 2018 RM | 2017 RM |
| Unutilised tax losses | 518,750 | 500,626 |
| Unabsorbed capital allowances | 10,709 | 10,706 |
| | 529,459 | 511,332 |

31. DIVIDEND

| | The Group/ The Company | |
|--|------------------------|------------|
| | 2018 RM | 2017 RM |
| In respect of the financial year ended 31 December 2018: | | |
| - First interim dividend of 1 sen per ordinary share | 4,017,260 | - |
| In respect of the financial year ended 31 December 2017: | | |
| - First interim dividend of 1 sen per ordinary share | - | 4,020,790 |
| | 4,017,260 | 4,020,790 |

32. CASH FLOW INFORMATION

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

| | The Group | | The Company | |
|--|--------------|--------------|-------------|-------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Cost of property, plant and equipment purchased | 40,302,003 | 71,588,526 | 165,076 | 5,432,510 |
| Amount financed through hire purchase (Note 32(b)) | (16,265,666) | (35,475,080) | - | - |
| Other payables | (8,014,298) | (18,213,446) | (98,000) | (4,160,000) |
| Cash disbursed for purchase of property, plant and equipment | 16,022,039 | 17,900,000 | 67,076 | 1,272,510 |

32. CASH FLOW INFORMATION (CONT'D)

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

| | Hire Purchase Payables RM | Term Loans RM | Bankers' Acceptances RM | Invoice Financing RM | Revolving Credit RM | Bank Factoring RM | Total RM |
|--|---------------------------------|------------------|-------------------------------|----------------------------|---------------------------|-------------------------|---------------|
| The Group | | | | | | | |
| 2018 | | | | | | | |
| 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 borrowing principal | (24,355,185) | (5,277,200) | (22,137,791) | (33,248,276) | (37,000,000) | (55,821,557) | (177,840,009) |
| Repayment of borrowing 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 32(a)) | 16,265,666 | - | - | - | - | - | 16,265,666 |
| Reclassification of other payables to hire purchase payables | 13,314,059 | - | - | - | - | - | 13,314,059 |
| Finance charges 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 2018 (CONT'D)

32. CASH FLOW INFORMATION (CONT'D)

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

| | Hire Purchase Payables RM | Term Loans RM | Bankers' Acceptances RM | Invoice Financing RM | Revolving Credit RM | Bank Factoring RM | Total RM |
|--|---------------------------------|------------------|-------------------------------|----------------------------|---------------------------|-------------------------|--------------|
| The Group | | | | | | | |
| 2017 | | | | | | | |
| At 1 January | 34,494,243 | 27,426,745 | 3,348,086 | 4,453,021 | 6,000,000 | - | 75,722,095 |
| <u>Changes in Financing Cash Flow</u> | | | | | | | |
| Proceeds from drawdown | - | 3,522,909 | 10,824,980 | 15,817,373 | 23,000,000 | 12,554,538 | 65,719,800 |
| Repayment of borrowing principal | (21,570,792) | (4,373,949) | (10,137,066) | (16,253,064) | (15,000,000) | (12,554,538) | (79,889,409) |
| Repayment of borrowing interests | (2,523,868) | (1,381,165) | (163,932) | (436,633) | (188,586) | (99,006) | (4,793,190) |
| <u>Non-cash Changes</u> | | | | | | | |
| New hire purchase (Note 32(a)) | 35,475,080 | - | - | - | - | - | 35,475,080 |
| Reclassification of other payables to hire purchase payables | 8,274,900 | - | - | - | - | - | 8,274,900 |
| Finance charges recognised in profit or loss | 2,523,868 | 1,381,165 | 163,932 | 436,633 | 188,586 | 99,006 | 4,793,190 |
| At 31 December | 56,673,431 | 26,575,705 | 4,036,000 | 4,017,330 | 14,000,000 | - | 105,302,466 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

32. CASH FLOW INFORMATION (CONT'D)

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

| | Amount Owing to Subsidiaries RM | Term Loans RM | Total RM |
|--|--|--------------------------|---------------------|
| The Company | | | |
| 2018 | | | |
| At 1 January | 250,059 | 584,524 | 834,583 |
| <u>Changes in Financing Cash Flows</u> | | | |
| Management Fee | 110,883 | - | 110,883 |
| Repayment | (250,059) | - | (250,059) |
| Proceeds from drawdown | - | 4,166,276 | 4,166,276 |
| Repayment of borrowing principal | - | (222,635) | (222,635) |
| Repayment of borrowing interests | - | (163,431) | (163,431) |
| <u>Non-cash Changes</u> | | | |
| Finance charges recognised in profit or loss | - | 163,431 | 163,431 |
| At 31 December | 110,883 | 4,528,165 | 4,639,048 |
| 2017 | | | |
| At 1 January | 474,892 | 704,524 | 1,179,416 |
| <u>Changes in Financing Cash Flows</u> | | | |
| Payment on behalf by | 64,988 | - | 64,988 |
| Repayment | (289,821) | - | (289,821) |
| Repayment of borrowing principal | - | (120,000) | (120,000) |
| Repayment of borrowing interests | - | (31,204) | (31,204) |
| <u>Non-cash Changes</u> | | | |
| Finance charges recognised in profit or loss | - | 31,204 | 31,204 |
| At 31 December | 250,059 | 584,524 | 834,583 |

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

| | The Group | | The Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Deposits with licensed banks | 32,637,176 | 22,315,291 | 248,314 | 4,841,101 |
| Short-term investments | 4,194,411 | 2,293,570 | 636,644 | - |
| Cash and bank balances | 7,708,889 | 24,581,370 | 276,477 | 2,574,423 |
| Bank overdrafts | (4,455,541) | (2,901,355) | - | - |
| | 40,084,935 | 46,288,876 | 1,161,435 | 7,415,524 |
| Less: Deposits pledged to licensed banks | (32,637,176) | (17,715,291) | (248,314) | (241,101) |
| Less: Deposit with tenure more than 3 months | - | (4,600,000) | - | (4,600,000) |
| | 7,447,759 | 23,973,585 | 913,121 | 2,574,423 |

33. KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

| | The Group | | The Company | |
|--|------------------|------------------|------------------|----------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| (a) Directors | | | | |
| <u>Directors of the Company</u> | | | | |
| Short-term employee benefits: | | | | |
| - fees | 214,200 | 204,000 | 214,200 | 204,000 |
| - salaries, bonuses and other benefits | 3,342,632 | 3,117,671 | 2,901,392 | 218,468 |
| | 3,556,832 | 3,321,671 | 3,115,592 | 422,468 |
| Defined contribution plans | 271,952 | 318,432 | 222,800 | 20,670 |
| Share option expenses | 216,243 | - | 165,028 | - |
| Total directors' remuneration (Note 29) | 4,045,027 | 3,640,103 | 3,503,420 | 443,138 |

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Company were RM94,633 and RM79,950 (2017 - RM96,859 and RM6,662) respectively.

| | The Group | | The Company | |
|--|------------------|------------------|----------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| (b) Other Key Management Personnel | | | | |
| Short-term employee benefits | 1,484,308 | 1,060,517 | 488,239 | - |
| Share option expenses | 181,531 | - | 45,525 | - |
| Defined contribution plans | 176,880 | 122,772 | 58,404 | - |
| Total compensation for other key management personnel (Note 29) | 1,842,719 | 1,183,289 | 592,168 | - |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

34. 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, key management personnel and entities within the same group of companies.

(b) Related Party Transactions and Balances

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

| | The Group | | The Company | |
|--|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Subsidiaries | | | | |
| Received or receivable:- | | | | |
| Dividend income | - | - | 6,700,000 | 12,210,000 |
| Management fee | - | - | 1,229,089 | - |
| Rental income: | | | | |
| - premises | - | - | 96,000 | 96,000 |
| - hiring of machinery | - | - | 12,000 | 200,000 |
| Proceeds from disposal of plant, property and equipment | - | - | 15 | 29,729 |
| Payment on behalf to | - | - | 43,395 | - |
| Advances to | - | - | 23,872,000 | 68,157,000 |
| Paid or payable:- | | | | |
| Management fee | - | - | 110,883 | - |
| Payment on behalf by | - | - | - | 64,988 |
| Director | | | | |
| Paid and payable:- | | | | |
| Rental of premises | 66,000 | 66,000 | 66,000 | 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.

35. CAPITAL COMMITMENTS

| | 2018 RM | The Group 2017 RM |
|---|------------|-------------------------|
| Approved and contracted for:- | | |
| Purchase of property, plant and equipment | 2,565,000 | 22,820,788 |
| Purchase of investment properties | - | 1,395,900 |
| | 2,565,000 | 24,216,688 |

36. OPERATING LEASE COMMITMENT

The future minimum lease payments under the non-cancellable operating leases are as follows:-

| | 2018 RM | The Group 2017 RM |
|--|------------|-------------------------|
| Not later than 1 year | 420,000 | 1,260,000 |
| Later than 1 year and not later than 5 years | - | 420,000 |
| | 420,000 | 1,680,000 |

37. EARNINGS PER SHARE

| | 2018 | The Group 2017 |
|---|-------------|-------------------|
| Profit after taxation (RM) | 10,618,139 | 18,463,080 |
| Weighted average number of ordinary shares:- | | |
| Ordinary shares at 1 January | 402,079,000 | 312,079,000 |
| Effect of treasury shares held | (157,600) | - |
| Effect of ordinary shares issued | - | 44,136,986 |
| | 401,921,400 | 356,215,986 |
| Weighted average number of ordinary shares in issue | | |
| | 401,921,400 | 356,215,986 |
| Basic earnings per share (Sen) | 2.64 | 5.18 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

37. EARNINGS PER SHARE (CONT'D)

| | 2018 | The Group 2017 |
|---|-------------|---------------------------|
| Weighted average number of ordinary shares for basic earnings per share | 401,921,400 | 356,215,986 |
| Shares deemed to be issued for no consideration: - employee share options in issue | 65,478 | - |
| Weighted average number of ordinary shares for diluted earning per share computation | 401,986,878 | 356,215,986 |
| Diluted earnings per ordinary share (Sen) | 2.64 | 5.18 |

38. OPERATING SEGMENTS

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

The Group is organised into 2 main reportable segments as follows:-

- (a) Construction and Support Services – involved in earthworks and civil engineering services; and
- (b) Property Investments – involved in sales of investment properties for capital gain and rental of investment properties.

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

38.1 BUSINESS SEGMENTS

| The Group 31 December 2018 | Construction and Support Services RM | Property Investment RM | Consolidation Adjustments RM | Total RM |
|---------------------------------------|---|---------------------------------------|---|---------------------|
| Revenue | | | | |
| 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 |

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

| The Group 31 December 2018 | Construction and Support Services RM | Property Investment RM | Consolidation Adjustments RM | Total RM |
|--|---|---------------------------------------|---|---------------------|
| 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 |
| Rental income | - | 344,131 | - | 344,131 |
| Cabin living quarters rental | 1,411 | - | - | 1,411 |
| Dividend income | 6,700,000 | - | (6,700,000) | - |
| Management fee | 1,229,089 | - | (1,229,089) | - |
| <u>Revenue recognised over time</u> | | | | |
| Contract revenue | 250,506,304 | - | (1,249,973) | 249,256,331 |
| | 347,260,906 | 344,131 | | 272,860,464 |
| Results | | | | |
| 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) |
| | | | | 15,425,397 |
| Consolidated profit before taxation | | | | (4,807,258) |
| Income tax expense | | | | 10,618,139 |
| Consolidated profit after taxation | | | | 10,618,139 |
| Assets | | | | |
| 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 |
| | | | | 411,354,603 |
| Consolidated total assets | | | | 411,354,603 |
| Liabilities | | | | |
| 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 |
| | | | | 229,368,413 |
| Consolidated total liabilities | | | | 229,368,413 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

| The Group 31 December 2018 | Construction and Support Services RM | Property Investment RM | Consolidation Adjustments RM | Total RM |
|--|---|---------------------------------------|---|---------------------|
| Other segment items: | | | | |
| 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 |
| 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) |

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

| The Group 31 December 2017 | Construction and Support Services RM | Property Investment RM | Consolidation Adjustments RM | Total RM |
|---|---|------------------------------|------------------------------------|--------------------|
| Revenue | | | | |
| External revenue | 265,708,139 | 280,433 | - | 265,988,572 |
| Inter-segment revenue | 70,518,336 | - | (70,518,336) | - |
| Consolidated revenue | 336,226,475 | 280,433 | (70,518,336) | 265,988,572 |
| Results | | | | |
| Segment results | 42,975,523 | (99,636) | (11,930,582) | 30,945,305 |
| Interest income | | | | 1,179,721 |
| Dividend income from short-term investments | | | | 13,570 |
| | | | | 32,138,596 |
| Finance costs | | | | (5,403,324) |
| Consolidated profit before taxation | | | | 26,735,272 |
| Income tax expense | | | | (8,272,192) |
| Consolidated profit after taxation | | | | 18,463,080 |
| Assets | | | | |
| Segment assets | 411,656,586 | 44,305,284 | (91,795,124) | 364,166,746 |
| Goods and services tax recoverable | | | | 2,240,322 |
| Current tax assets | | | | 2,270,569 |
| Consolidated total assets | | | | 368,677,637 |
| Liabilities | | | | |
| Segment liabilities | 222,712,664 | 46,672,042 | (82,132,797) | 187,251,909 |
| Deferred tax liabilities | | | | 6,624,084 |
| Current tax liabilities | | | | 193,754 |
| Consolidated total liabilities | | | | 194,069,747 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

| The Group 31 December 2017 | Construction and Support Services RM | Property Investment RM | Consolidation Adjustments RM | Total RM |
|--|---|---------------------------------------|---|---------------------|
| Other segment items: | | | | |
| Capital expenditure: | | | | |
| - investment properties | - | 3,315,549 | - | 3,315,549 |
| - property, plant and equipment | 71,349,619 | 268,646 | (29,739) | 71,588,526 |
| Depreciation: | | | | |
| - investment properties | - | 525,232 | (58,822) | 466,410 |
| - property, plant and equipment | 20,355,444 | 71,725 | 58,822 | 20,485,991 |
| Direct operating expenses on investment properties: | | | | |
| - income generating investment properties | - | 55,546 | - | 55,546 |
| - non-income generating investment properties | - | 198,788 | (63,333) | 135,455 |
| Interest expense | 4,708,397 | 694,927 | - | 5,403,324 |
| Property, plant and equipment written off | 315,761 | - | - | 315,761 |
| Gain on disposal of property, plant and equipment | (752,373) | - | 10 | (752,363) |
| Gain on disposal of an investment property | - | (153,823) | - | (153,823) |
| Interest income: | | | | |
| - deposits with licensed banks | (839,011) | - | - | (839,011) |
| - trade receivables | (586) | - | - | (586) |
| - finance lease receivables | (30,030) | - | - | (30,030) |
| - others | (309,762) | (918) | - | (310,680) |
| Dividend income from short-term investments | (13,570) | - | - | (13,570) |
| Reversal of impairment losses on | | | | |
| - trade receivables | (96,220) | - | - | (96,220) |
| - non-trade receivables | (366,536) | - | - | (366,536) |

38. OPERATING SEGMENTS (CONT'D)

38.2 MAJOR CUSTOMERS

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

| The Group | Revenue RM | Segment |
|-------------|---------------|-----------------------------------|
| 2018 | | |
| Customer A | 52,144,535 | Construction and Support Services |
| Customer B | 48,797,626 | Construction and Support Services |
| Customer C | 35,005,935 | Construction and Support Services |
| 2017 | | |
| Customer B | 87,334,956 | Construction and Support Services |
| Customer D | 56,973,053 | Construction and Support Services |
| Customer A | 28,413,429 | Construction and Support Services |

39. MATERIAL LITIGATION

Advancecon Infra Sdn. Bhd. (Advancecon Infra”), a wholly-owned subsidiary of Advancecon Holdings Berhad in the High Court of Malaya (“the Court”) at Shah Alam Civil Suit No. BA-22C-50-11/2018 vs Infra Tech Projects Malaysia Sdn. Bhd. (“Infra Tech” or “the Defendant”)

Advancecon Infra, through its solicitors, Messrs Arthur Wang, Lian & Associates had on 9 November 2018 filed and served a sealed copy of the Writ of Summons together with the Statement of Claim, both dated 2 November 2018 against Infra Tech Projects Malaysia Sdn. Bhd. (Company No. 654784-A) (“Infra Tech” or “the Defendant”).

The filing of the Writ of Summons together with the Statement of Claim arose from the Advancecon Infra’s claim for damage and losses suffered due to Infra Tech’s engagement as a sub-contractor by the Advancecon Infra under 3 Letters of Award dated 20 January 2017 and 7 February 2017 (“Letters of Award”) respectively for the Project known as “Phase 1 Earthwork for Cadangan Serah Balik and Bermilik Semula Dibawah Sekysen 204D Kanun Tanah Negara Untuk Pembangunan Bercampur Perumahan Dan Perniagaan, Di Atas PT8 (H.S.(D) 22218), PT 9 (H.S.(D) 22219) Dan PT20090 (H.S.(D) 244038), Mukim Bukit Raja, Daerah Petaling, Seksyen U12, Shah Alam, Selangor Darul Ehsan (“BS49 Project”) which was awarded to Infra Tech.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

39. MATERIAL LITIGATION (CONT'D)

Due to the alleged breach of the Letters of Award by the Defendant, Advancecon Infra is claiming for the following:

- (a) A declaration that the Defendant has breached the terms and conditions of all the 3 Letters of Award under the BS49 Project;
- (b) A declaration that Advancecon Infra was allowed to make deductions and set off from payments to the Defendant under all the 3 Letters of Award under the BS49 Project;
- (c) A declaration that Advancecon Infra has the right to deduct/set off the total sum amounting to RM1,417,174.75 for the 3 Payment Certificates No. 5, 6 and 7 that are payable to the Defendant by Advancecon Infra;
- (d) The sum of RM1,052,157.69 being the total outstanding balance remedial costs incurred due to the slope failures at HIEDYC and PVD Group Improvement at Show Village Area ("KTA2 Area") and CDYC, PVD and Geogrid Ground Improvement at Phase 1&2 Slope Area ("KTA1 Area");
- (e) Interests on the sum of RM1,052,157.69 at the rate of 5% per annum from the date of this judgement until the date of full and final settlement;
- (f) Solicitors' cost and
- (g) Such further or other relief as deemed fit by the Court.

The first case management was fixed on 12 December 2018.

Advancecon Infra had received the Defence and Counterclaim from the Defendant dated 11 December 2018 and had filed and serve the Reply to Defence and Defence to Counterclaim dated 11 January 2019.

Advancecon Infra had received the sealed Amended Defence and Counterclaim dated 4 February 2019 from the Defendant on 13 February 2019.

Advancecon Infra had filed and served the unsealed Amended Defence and Counterclaim dated 27 February 2019 to the Defendant on 27 February 2019.

The Company announced that further to the case management held on 7 March 2019, the Court directed as follows:-

- (a) The Defendant to file and serve Reply to Amended Defence to Amended Counterclaim on 13 March 2019; and
- (b) Advancecon Infra and Defendant (collectively referred as "the Parties") to file Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Issues to be Tried, Summary of Case and List of Witnesses before the next date, 29 April 2019.

The Court has fixed next case management on 29 April 2019.

Advancecon Infra had on 13 March 2019 received the Defendant's Reply to Amended Defence to Counterclaim dated 13 March 2019.

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 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:-

| | The Group | | The Company | |
|----------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Floating Rate Instruments | | | | |
| <u>Financial Liabilities</u> | | | | |
| Term loans | 35,049,749 | 26,575,705 | 4,528,165 | 584,524 |
| Bankers' acceptances | 12,047,000 | 4,036,000 | - | - |
| Bank factoring | 1,815,805 | - | - | - |
| Invoice financing | 16,156,348 | 4,017,330 | - | - |
| Revolving credit | 3,000,000 | 14,000,000 | - | - |
| Bank overdrafts | 4,455,541 | 2,901,355 | - | - |
| | 72,524,443 | 51,530,390 | 4,528,165 | 584,524 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (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:-

| | The Group | | The Company | |
|-------------------------------------|------------|------------|-------------|------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Effects on Profit After Taxation | | | | |
| Increase of 100 basis points | (551,186) | (391,631) | (34,414) | (4,442) |
| Decrease of 100 basis points | 551,186 | 391,631 | 34,414 | 4,442 |

(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 3 customers which constituted approximately 58% of its trade receivables at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(ii) Exposure to Credit Risk

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

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

(iii) Assessment of Impairment Losses

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

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

Trade Receivables and Contract Assets

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

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

The Group considers any receivables having significant balances and more than 120 days overdue are deemed credit impaired.

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 2018 (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 trade receivables and contract assets are summarised below:-

| The Group | Gross Amount RM | Lifetime Loss Allowance RM | Carrying Amount RM |
|--------------------------|--------------------|-------------------------------|-----------------------|
| 2018 | | | |
| <u>Trade receivables</u> | | | |
| 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 |
| | 67,168,932 | (240,609) | 66,928,323 |
| Credit impaired: | | | |
| - individually impaired | 212,709 | (212,709) | - |
| | 67,381,641 | (453,318) | 66,928,323 |
| <u>Contract assets</u> | | | |
| Current (not past due) | 79,097,980 | - | 79,097,980 |
| | 146,479,621 | (453,318) | 146,026,303 |

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)

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables is as follows:-

| The Group | Gross Amount RM (Restated) | Individual Impairment RM | Collective Impairment RM | Carrying Amount RM (Restated) |
|----------------------|-------------------------------------|--------------------------------|--------------------------------|--|
| 2017 | | | | |
| Not past due | 18,207,774 | - | - | 18,207,774 |
| Past due: | | | | |
| - less than 2 months | 5,603,192 | - | - | 5,603,192 |
| - 2 to 4 months | 12,678,799 | - | - | 12,678,799 |
| - over 4 months | 1,866,934 | - | - | 1,866,934 |
| - more than 1 year | 383,432 | (10,268) | - | 373,164 |
| | 38,740,131 | (10,268) | - | 38,729,863 |

The movements in the loss allowances in respect of trade receivables and contract assets are disclosed in Note 10 to the financial statements respectively.

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. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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)

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.

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 |
|---|------------------------------------|--------------------------|---|------------------------|----------------------|-----------------------|
| 2018 | | | | | | |
| <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 |
| 2017 | | | | | | |
| <u>Non-derivative</u> <u>Financial Liabilities</u> | | | | | | |
| Trade payables | - | 44,793,675 | 44,793,675 | 44,793,675 | - | - |
| Other payables and accruals | - | 25,278,026 | 25,278,026 | 25,278,026 | - | - |
| Hire purchase payables | 3.96 - 8.45 | 56,673,431 | 63,904,816 | 16,221,432 | 47,683,384 | - |
| Term loans | 4.34 - 8.06 | 26,575,705 | 35,573,740 | 6,523,067 | 11,415,880 | 17,634,793 |
| Bankers' acceptances | 4.94 - 5.22 | 4,036,000 | 4,036,000 | 4,036,000 | - | - |
| Invoice financing | 6.42 - 7.67 | 4,017,330 | 4,017,330 | 4,017,330 | - | - |
| Revolving credit | 4.93 - 5.39 | 14,000,000 | 14,000,000 | 14,000,000 | - | - |
| Bank overdrafts | 7.67 | 2,901,355 | 2,901,355 | 2,901,355 | - | - |
| | | 178,275,522 | 194,504,942 | 117,770,885 | 59,099,264 | 17,634,793 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (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 |
|---|---------------------------|--------------------|--|------------------|----------------|-----------------|
| 2018 | | | | | | |
| 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 |
| 2017 | | | | | | |
| Trade payables | - | 27,964 | 27,964 | 27,964 | - | - |
| Other payables and accruals | - | 4,325,499 | 4,325,499 | 4,325,499 | - | - |
| Amount owing to subsidiaries | - | 250,059 | 250,059 | 250,059 | - | - |
| Term loan | 4.88 | 584,524 | 655,279 | 145,686 | 509,593 | - |
| Financial guarantee contracts in relation to corporate guarantee given to certain subsidiaries* | - | - | 101,088,359 | 101,088,359 | - | - |
| | | 5,188,046 | 106,347,160 | 105,837,567 | 509,593 | - |

* 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 since their fair value on initial recognition were not material.

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:-

| | The Group | | The Company | |
|---|--------------|--------------|-------------|-------------|
| | 2018 RM | 2017 RM | 2018 RM | 2017 RM |
| Hire purchase payables | 61,897,971 | 56,673,431 | - | - |
| Term loans | 35,049,749 | 26,575,705 | 4,528,165 | 584,524 |
| Bankers' acceptances | 12,047,000 | 4,036,000 | - | - |
| Bank factoring | 1,815,805 | - | - | - |
| Invoice financing | 16,156,348 | 4,017,330 | - | - |
| Revolving credit | 3,000,000 | 14,000,000 | - | - |
| Bank overdrafts | 4,455,541 | 2,901,355 | - | - |
| | 134,422,414 | 108,203,821 | 4,528,165 | 584,524 |
| Less: | | | | |
| - Deposits pledged to licensed banks | (32,637,176) | (17,715,291) | (248,314) | (241,101) |
| - Deposits with tenure of more than 3 months | - | (4,600,000) | - | (4,600,000) |
| - Short-term investments | (4,194,411) | (2,293,570) | (636,644) | - |
| - Cash and bank balances | (7,708,889) | (24,581,370) | (276,477) | (2,574,423) |
| Net debt/(surplus) of cash and cash equivalents | 89,881,938 | 59,013,590 | 3,366,730 | (6,831,000) |
| Total equity | 181,986,190 | 174,607,890 | 93,100,493 | 93,864,509 |
| Debt-to-equity ratio | 0.49 | 0.34 | 0.04 | # |

The debt-to-equity ratio of the Company is not presented as its cash and cash equivalents exceeded the total external borrowings as at 31 December 2017.

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 2018 (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

| | The Group 2018 RM | The Company 2018 RM |
|---|----------------------------------|------------------------------------|
| Financial Assets | | |
| <u>Amortised Cost</u> | | |
| Finance lease receivables | 3,639,418 | - |
| Trade receivables | 66,928,323 | - |
| Other receivables and deposits | 23,153,669 | 4,077,542 |
| Amount owing by subsidiaries | - | 79,274,972 |
| Amount owing by an associate | 5,288 | 3,788 |
| Deposits with licensed banks | 32,637,176 | 248,314 |
| Cash and bank balances | 7,708,889 | 276,477 |
| | 134,072,763 | 83,881,093 |
| <u>Mandatory at Fair Value Through Profit of Loss</u> | | |
| Short-term investments | 4,194,411 | 636,644 |
| Financial Liabilities | | |
| <u>Amortised Cost</u> | | |
| Trade payables | 49,147,250 | 15,808 |
| Other payables and accruals | 15,921,253 | 1,022,543 |
| Amount owing to subsidiaries | - | 110,883 |
| Dividend payable | 4,017,260 | 4,017,260 |
| Hire purchase payables | 61,897,971 | - |
| Term loans | 35,049,749 | 4,528,165 |
| Bankers' acceptances | 12,047,000 | - |
| Bank factoring | 1,815,805 | - |
| Invoice financing | 16,156,348 | - |
| Revolving credit | 3,000,000 | - |
| Bank overdrafts | 4,455,541 | - |
| | 203,508,177 | 9,694,659 |

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

| | The Group 2017 RM (Restated) | The Company 2017 RM |
|---|---|------------------------------------|
| Financial Assets | | |
| <u>Loans and Receivables Financial Assets</u> | | |
| Finance lease receivables | 2,091,030 | - |
| Trade receivables | 38,729,863 | - |
| Other receivables and deposits | 6,260,671 | 567,390 |
| Amount owing by subsidiaries | - | 73,991,583 |
| Deposits with licensed banks | 22,315,291 | 4,841,101 |
| Cash and bank balances | 24,581,370 | 2,574,423 |
| | 93,978,225 | 81,974,497 |
| <u>Fair Value through Profit or Loss</u> | | |
| Short-term investments | 2,293,570 | - |
| Financial Liabilities | | |
| <u>Other Financial Liabilities</u> | | |
| Trade payables | 44,793,675 | 27,964 |
| Other payables and accruals | 25,278,026 | 4,325,499 |
| Amount owing to subsidiaries | - | 250,059 |
| Hire purchase payables | 56,673,431 | - |
| Term loans | 26,575,705 | 584,524 |
| Bankers' acceptances | 4,036,000 | - |
| Invoice financing | 4,017,330 | - |
| Revolving credit | 14,000,000 | - |
| Bank overdrafts | 2,901,355 | - |
| | 178,275,522 | 5,188,046 |

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 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 | | |
| 2018 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Finance lease receivables | - | - | - | - | 3,596,534 | - | 3,596,534 | 3,639,418 |
| Short-term investments | 4,194,411 | - | - | - | - | - | 4,194,411 | 4,194,411 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Hire purchase payables | - | - | - | - | 61,866,543 | - | 61,866,543 | 61,897,971 |
| Term loans | - | - | - | - | 35,049,749 | - | 35,049,749 | 35,049,749 |
| 2017 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Finance lease receivables | - | - | - | - | 2,087,103 | - | 2,087,103 | 2,091,030 |
| Short-term investments | 2,293,570 | - | - | - | - | - | 2,293,570 | 2,293,570 |
| <u>Financial Liabilities</u> | | | | | | | | |
| Hire purchase payables | - | - | - | - | 56,747,359 | - | 56,747,359 | 56,673,431 |
| Term loans | - | - | - | - | 26,575,705 | - | 26,575,705 | 26,575,705 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 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 | | |
| 2018 | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | |
| Short-term investments | 636,644 | - | - | - | - | - | 636,644 | 636,644 |
| <u>Financial Liability</u> | | | | | | | | |
| Term loans | - | - | - | - | 4,528,165 | - | 4,528,165 | 4,528,165 |
| 2017 | | | | | | | | |
| <u>Financial Liability</u> | | | | | | | | |
| Term loan | - | - | - | - | 584,524 | - | 584,524 | 584,524 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 FAIR VALUE INFORMATION (CONT'D)

(a) Fair Value of Financial Instruments Carried at Fair Value

- (i) The fair values of the short-term investments are determined using their quoted closing prices at the end of the reporting period.
- (ii) There was no transfer 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:-

| | 2018 % | The Group 2017 % |
|-----------------------------|-------------------------|---|
| Financial lease receivables | 6.20 to 6.23 | 5.82 |
| Hire purchase payables | 3.22 to 6.36 | 3.97 to 6.33 |

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 18 January 2018, all resolutions as prescribed in relation to the proposed establishment of an Employee's Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares (excluding treasury shares, if any) were duly passed by way of poll at the Extraordinary General Meeting. The effective date of the ESOS has been fixed on 6 March 2018.
- (b) On 6 February 2018, Special Resolutions were passed by the shareholders of Advancecon Rock Sdn. Bhd. and Advancecon Trading Sdn. Bhd., respectively to initiate the process of Member's Voluntary Winding Up and accordingly, liquidators have been appointed.
- (c) On 12 April 2018, Advancecon Machinery Sdn. Bhd., a wholly-owned subsidiary entered into 2 separate Sale and Purchase Agreement with Perbadanan Kemajuan Negeri Selangor to purchase 2 pieces of industrial land located at Seksyen 6 Kota Puteri Daerah Gombak for a total purchase consideration of approximately RM13,700,000. The Group intends to construct a workshop on these 2 pieces of industrial land to allow the Group to have better flexibility and convenience for its internal servicing team to perform repair and maintenance services for its machinery and equipment catered for the projects on a timely basis.
- (d) On 29 August 2018, Advancecon Properties Sdn. Bhd., a wholly-owned subsidiary entered into a Sale and Purchase Agreement with Acmar Auto Parts (M) Sdn Bhd for the disposal of a piece of leasehold industrial land in Port Klang, Selangor for a total purchase consideration of RM9,070,000.
- (e) On 12 October 2018, a new 20% owned associate named Advancecon (Sarawak) Sdn. Bhd. was incorporated in Malaysia under the Companies Act 2016. Its principal activities are to provide earthworks and civil engineering services and sales of construction materials.

42. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On 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 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).

43. CHANGES IN ACCOUNTING POLICIES

As mentioned in Note 3.1 to the financial statements, the Group has adopted MFRS 15 during the financial year. The financial impacts upon the adoption of this accounting standard are summarised below:-

Statements of Financial Position (Extract):-

| | ← | At 1 January 2018 | → |
|------------------------------------|---------------------------------|------------------------------|----------------------|
| | As Previously Reported RM | MFRS 15 Adjustments RM | As Restated RM |
| <u>Assets</u> | | | |
| Contract assets | - | 84,106,836 | 84,106,836 |
| Amount owing by contract customers | 8,762,940 | (8,762,940) | - |
| Trade receivables | 114,073,759 | (75,343,896) | 38,729,863 |
| <u>Liabilities</u> | | | |
| Contract liabilities | - | 8,976,387 | 8,976,387 |
| Amount owing to contract customers | 8,976,387 | (8,976,387) | - |

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 31.12.2018 (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, Bandar 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 | 6,955,688 | 12 April 2018 |
| 2. | H.S(D) 173541, P.T.No.32213, Pekan Baru Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan No. 8, Jalan PJU 3/16D Tropicana Indah 47410 Petaling Jaya Selangor Darul Ehsan | A parcel of leasehold residential land | Land area: 21,269 Built up area: Not applicable | Not applicable | Leasehold (99 years)/ 27 May 2101 | 6,305,258 | 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, Bandar 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 | 6,274,427 | 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 | Sixteen (17) years | Leasehold (99 years)/ 17 December 2106 | 5,269,095 | 29 September 2017 |

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 31.12.2018 (RM) | Date Of Acquisition |
|----|--|---|---|--|---|--|------------------------|
| 5. | PN 52716, Lot 20007 Section 95A and Geran 79381, Lot 20006 Section 95A B01-A-08-1, Menara 2, No. 3, Jalan Bangsar, KL Eco City, 59200 Kuala Lumpur | Whole of 8 th floor of a twenty (20) storey building office tower block | Land area: Not applicable Built up area: 4,381 | Three (3) years | Leasehold (99 years)/ 5 December 2113 | 5,200,060 | 5 August 2013 |
| 6. | Geran 316473, Lot 64445, Town of Glenmarie, District of Petaling, State of Selangor Darul Ehsan No.1, Jalan Pengaturcara U1/51E, Seksyen U1, 40150 Shah Alam, Selangor Darul Ehsan. | One (1) unit of three (3) storey bungalow | Land area: 7,158 Built up area: 4,790 | Eight (8) years | Freehold | 3,747,001 | 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 | Six (6) years | Freehold | 3,129,559 | 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 PT 41295) Mukim Tanjong Dua belas, 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 | One (1) year | Leasehold (99 years)/ 9 November 2110 | 2,273,935 | 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 31.12.2018 (RM) | Date Of Acquisition |
|-----|--|--|--|--|---|--|------------------------|
| 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 PT 41295) Mukim Tanjong Dua belas, 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 | One (1) year | Leasehold (99 years)/ 9 November 2110 | 2,094,612 | 28 June 2015 |
| 10. | HS(D) 164582 PT 40672 Mukim Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan No. 55, Jalan Ecohill 3/1B Setia Ecohill 43500 Semenyih, Selangor Darul Ehsan | One (1) unit of double storey zero lot bungalow | Land area: 6,712 Built up area: 3,304 | Three (3) years | Freehold | 1,863,372 | 14 March 2016 |

ANALYSIS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

| | | |
|--------------------|---|--|
| Total Issued Share | : | 402,209,000 Ordinary Shares (including 1,161,000 Treasury Shares as per Record of Depositors as at 29 March 2019) |
| Types of Shares | : | Ordinary Share |
| Voting Rights | : | One vote per Ordinary Share on a poll |

DISTRIBUTION OF SHAREHOLDINGS AS AT 29 MARCH 2019

| Size of Shareholdings | No. of Shareholders | No. of Shares | % of Issued Share Capital |
|-------------------------|---------------------|--------------------|---------------------------|
| Less than 100 | 8 | 100 | 0.00 |
| 100 to 1,000 | 218 | 145,300 | 0.04 |
| 1,001 to 10,000 | 1,107 | 6,629,900 | 1.65 |
| 10,001 to 100,000 | 833 | 29,628,600 | 7.39 |
| 100,001 – 20,052,399 * | 184 | 243,621,850 | 60.74 |
| 20,052,400 and above ** | 4 | 121,022,250 | 30.18 |
| Total | 2,354 | 401,048,000 | 100.00 |

Note:-

* Less than 5% of Issued Holdings

** 5% and above of Issued Holdings

Excluding a total of 1,161,000 ordinary shares bought back by the Company and retained as Treasury Shares as per Record of Depositors as at 11 March 2019

THIRTY LARGEST SECURITIES ACCOUNT HOLDERS (ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2019)

| Name | No. of Shares | % of Issued Share Capital |
|---|---------------|---------------------------|
| 1. Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Phum Ang Kia (7003846) | 38,500,000 | 9.60 |
| 2. Dato' Phum Ang Kia | 30,063,750 | 7.50 |
| 3. Lim Swee Chai | 28,858,250 | 7.20 |
| 4. Pham Soon Kok | 23,600,250 | 5.88 |
| 5. Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Swee Chai | 15,830,000 | 3.95 |
| 6. Lim Kok Tiong | 14,923,550 | 3.72 |
| 7. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yeo An Thai | 14,875,250 | 3.71 |
| 8. RHB Nominees (Tempatan) Sdn Bhd OSK Capital Sdn Bhd for Yayasan Islam Terengganu | 13,290,000 | 3.31 |
| 9. Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Phum Ang Kia | 13,000,000 | 3.24 |
| 10. Amanahraya Trustees Berhad PB Islamic Smallcap Fund | 11,304,000 | 2.82 |
| 11. Chan Keng Kong | 11,019,150 | 2.75 |
| 12. Lam Wing King | 10,789,250 | 2.69 |
| 13. Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Phum Ang Kia | 10,200,000 | 2.54 |
| 14. RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Swee Chai | 7,300,000 | 1.82 |
| 15. Tung Kai Hung | 7,000,000 | 1.75 |

ANALYSIS SHAREHOLDINGS
AS AT 29 MARCH 2019 (CONT'D)

**THIRTY LARGEST SECURITIES ACCOUNT HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 29 MARCH 2019) (CONT'D)**

| | Name | No. of Shares | % of Issued Share Capital |
|-----|---|----------------------|----------------------------------|
| 16. | DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund | 6,651,200 | 1.66 |
| 17. | Puah Kian Yiew | 6,176,850 | 1.54 |
| 18. | Tung Kai Hung | 5,875,250 | 1.46 |
| 19. | Yap Goon Ying | 5,777,250 | 1.44 |
| 20. | RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pham Soon Kok | 5,000,000 | 1.25 |
| 21. | Yap Goon Ying | 5,000,000 | 1.25 |
| 22. | Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Dato' Phum Ang Kia (Smart) | 4,800,000 | 1.20 |
| 23. | Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Datuk Chiau Beng Teik (MY2975) | 4,470,000 | 1.11 |
| 24. | Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SC E) | 3,388,400 | 0.84 |
| 25. | HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Kok Weng | 2,846,700 | 0.71 |
| 26. | Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM) | 2,122,900 | 0.53 |
| 27. | Loh Lap Keong | 2,000,000 | 0.50 |
| 28. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Keng Kong | 2,000,000 | 0.50 |
| 29. | Mohammed Abdulaziz S Alajaji | 1,625,000 | 0.41 |
| 30. | Tai Thong Ming | 1,525,400 | 0.38 |

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 | 24.08 | - | - |
| 2. Lim Swee Chai | 53,038,250 | 13.22 | - | - |
| 3. Pham Soon Kok | 28,600,250 | 7.13 | - | - |

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 | 24.08 | - | - |
| 2. Lim Swee Chai | 53,038,250 | 13.22 | - | - |
| 3. Ir. Yeo An Thai | 14,875,250 | 3.71 | - | - |
| 4. Tung Kai Hung | 12,875,250 | 3.21 | - | - |
| 5. Yeoh Chong Keat | 25,000 | 0.01 | - | - |
| 6. Fathi Ridzuan bin Ahmad Fauzi | 25,000 | 0.01 | - | - |
| 7. Mohd Zaky bin Othman | - | - | - | - |

NOTICE OF TWENTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second (22nd) Annual General Meeting (“AGM”) of Advancecon Holdings Berhad (“the Company”) will be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 20 June 2019 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 2018 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Directors’ fees and other benefits of up to RM350,000 in respect of the period from 21 June 2019 until the conclusion of the next AGM of the Company.
3. To re-elect the following Directors, who retire by rotation in accordance with Article 95 of the Company’s Articles of Association and being eligible, have offered themselves for re-election:
 - (a) Tung Kai Hung
 - (b) Mohd Zaky Bin Othman
4. To re-appoint Messrs. Crowe Malaysia PLT (*formerly known as Messrs. Crowe Horwath*) as auditors of the Company and to authorise the Directors to fix their remuneration.

*Please refer to
Explanatory Note 1*

Ordinary Resolution 1
*(Please refer to
Explanatory Note 2)*

Ordinary Resolution 2

Ordinary Resolution 3
*(Please refer to
Explanatory Note 3)*

Ordinary Resolution 4
*(Please refer to
Explanatory Note 4)*

AS SPECIAL BUSINESS

To consider and if thought fit, with or without modifications to pass the following resolutions:

5. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

Ordinary Resolution 5
*(Please refer to
Explanatory Note 5)*

“THAT subject to Sections 75 and 76 of the Companies Act 2016 (“the Act”) and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised to issue and allot shares in the Company from time to time, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever and as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued during the preceding 12 months does not exceed 10% of the total number of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued from Bursa Malaysia Securities Berhad (“Bursa Securities”);

AND THAT such authority shall commence immediately upon the passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting.”

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

6. **PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES IN THE COMPANY**

*Ordinary Resolution 6
(Please refer to
Explanatory Note 6)*

“THAT, subject always to the Act, the provisions of the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Securities (“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. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY**

**Special Resolution
(Please refer to
Explanatory Note 7)**

“THAT the proposed new Constitution as set out in Part B of the Circular to Shareholders dated 30 April 2019 be and is hereby adopted as the Constitution of the Company in place of the existing Memorandum and Articles AND THAT the Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take such steps as may be considered necessary to give full effect to the foregoing.”

8. To transact any other ordinary business for which due notice have been given.

BY ORDER OF THE BOARD

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS 0009760)

Company Secretaries

Kuala Lumpur

Dated this 30th day of April 2019

Notes:

1. In respect of deposited securities, only member whose names appear in the Company's Record of Depositors as at 13 June 2019 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 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.
5. 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.
6. The original instrument appointing a proxy be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd (*formerly known as Symphony Share Registrars Sdn Bhd*), situated at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan RJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding this meeting.

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-SECOND ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes to Ordinary and Special Business:

1. Item 1 of the Agenda

To receive the audited financial statements for the Financial Year Ended 31 December 2018

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

To approve the payment of Directors' fees and other benefits payable

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of a listed company and its subsidiaries shall be approved by shareholders at a general meeting. The Company is requesting for the shareholders' approval for the payment of fees in accordance with the proposed remuneration structure set out below:

| | Director's fee (RM) | Meeting allowance (RM) | Business travel, accommodation and etc. (RM) |
|---------------------------------------|------------------------|---------------------------|---|
| Independent Non-Executive Chairman | 7,700 per month | 500.00 per meeting | 20,000 per annum |
| Independent Non-Executive Director | 5,500 per month | 500.00 per meeting | 20,000 per annum |

3. Item 3 of the Agenda

Re-election of retiring Directors

Article 95 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. Tung Kai Hung and En. Mohd Zaky Bin Othman are standing for re-election as Directors of the Company. En. Mohd Zaky, who is an Independent Non-Executive Director ("INED"), has reaffirmed his independence based on independence criteria applied by the Company which is also used in the yearly assessment of INEDs 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 Resolutions 2 and 3, and considered the following:

- The Directors performance and contribution based on the results of the annual evaluation of board;
- The Director's level of contribution to the Board deliberations through his skills, experience and strength in qualities; and
- 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 and high performance Board. Hence, the Board has recommended the re-election of Mr. Tung and En. Mohd Zaky as Directors of the Company.

Explanatory Notes to Ordinary and Special Business: (Cont'd)

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 (*formerly known as Messrs. Crowe Horwath*) 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 Companies Act 2016

The Company would like to act expeditiously on opportunities to expand the Group's business, if and when they arise. The proposed Ordinary Resolution 5, if passed, will authorise the Directors to issue and allot ordinary shares up to 10% of the total number of the issued shares (excluding treasury shares) of the Company and will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding current and/or future investment project(s), working capital and/or acquisition.

In order to avoid incurring additional cost and time involved in convening a general meeting to approve such an allotment of shares, it is thus considered appropriate that the Directors be authorised to issue and allot shares in the Company up to 10% of the total number of issued shares (excluding treasury shares) of the Company in the forthcoming AGM. The renewed General Mandate will commence from the date of the 22nd AGM and such authority shall continue to be in force until the conclusion of the next AGM or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting.

The general mandate for the allotment of shares is a renewal mandate. No shares had been issued and allotted by the Company since obtaining the said authority from its shareholders at the last AGM held on 27 June 2018.

6. Item 6 of the Agenda

Proposed renewal of authority to purchase its own shares of up to 10% of the total number of issued shares in the Company

The proposed Ordinary Resolution 6, if passed, will enable the Directors of the Company to purchase Company's shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated which shall not exceed the total amount of the retained profits of the Company 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.

Further information on the proposed renewal of authority to purchase its own shares is set out in the Share Buy-Back Statement to Shareholders dated 30 April 2019 which is dispatched together with the Company's Annual Report 2018.

7. Item 7 of the Agenda

Proposed Adoption of a New Company's Constitution

The proposed Special Resolution if passed, will bring the Company's Constitution in line with the enforcement of the Act, Listing Requirements and to enhance administrative efficiency. The proposed new Constitution shall take effect once the Special Resolution has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at the 22nd AGM.

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ADVANCECON

ADVANCECON HOLDINGS BERHAD (426965-M)
(Incorporated in Malaysia)

FORM OF PROXY

I/We, (FULL NAME IN BLOCK CAPITAL)

*NRIC/Company No. of
..... (FULL ADDRESS)

being a member(s) of **ADVANCECON HOLDINGS BERHAD (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-Second ("22nd") Annual General Meeting ("AGM") of the Company to be held at Greens III (Sports Wing), Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 20 June 2019 at 10.00 a.m. and at any adjournment thereof.

The proportion of *my/our holding 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:-

| | Agenda | For | Against |
|---|--|-----|---------|
| | Ordinary Resolutions | | |
| 1 | To approve the payment of Directors' fees and other benefits of up to RM350,000 in respect of the period from 21 June 2019 until the conclusion of the next AGM of the Company. | | |
| 2 | To re-elect Tung Kai Hung as Director. | | |
| 3 | To re-elect Mohd Zaky Bin Othman as Director. | | |
| 4 | To re-appoint Messrs. Crowe Malaysia PLT (<i>formerly known as Messrs. Crowe Horwath</i>) as auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| 5 | Authority to issue and allot shares pursuant to Sections 75 and 76 of the Companies Act 2016 | | |
| 6 | Proposed renewal of authority to purchase its own shares of up to 10% of the total number of issued shares in the Company | | |
| | Special Resolution | | |
| 7 | Proposed adoption of new Constitution of the Company | | |

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 2019

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

.....
* Signature/Common Seal of shareholder
Contact no.:

* Strike out whichever not applicable



Fold this flap for sealing

Notes:

1. In respect of deposited securities, only member whose names appear in the Company's Record of Depositors as at 13 June 2019 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 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.
5. 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.
6. The original instrument appointing a proxy be deposited at the Company's Share Registrar Office, Boardroom Share Registrars Sdn Bhd (*formerly known as Symphony Share Registrars Sdn Bhd*), situated at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan RJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than 48 hours before the time set for holding this meeting.

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-Second (22nd) AGM dated 30th day of April 2019.

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Stamp

The Share Registrar of
ADVANCECON HOLDINGS BERHAD (426965-M)
Boardroom Share Registrars Sdn Bhd
(*formerly known as Symphony Share Registrars Sdn Bhd*)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan RJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan

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ADVANCECON HOLDINGS BERHAD

(Company No. 426965-M)

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