NESTCON BERHAD

(Incorporated in Malaysia)
Registration No. 202001008684 (1365004-W)

ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

(b) Changes in liabilities arising from financing activities:

	At 1 January RM	Issuance of shares RM	Re-measurement of lease liabilities RM	Acquisition of new lease RM	Net cash flow RM	At 31 December RM
2020						
Amount due from related parties	(11,880,307)	-	-	-	11,880,307	-
Amount due to Directors	8,529	-	-	-	(8,529)	-
Lease liabilities	33,733,088	-	(325,801)	6,287,268	(14,019,784)	25,674,771
Term loans	342,269	-	-	-	3,714,498	4,056,767
Factoring payable	14,705,358	-	-	-	(2,221,538)	12,483,820
	36,908,937	-	(325,801)	6,287,268	(655,046)	42,215,358
2019						
Amount due from related parties	(8,085,264)	-	-	-	(3,795,043)	(11,880,307)
Amount due to Directors	10,927,985	(3,000,000)	-	-	(7,919,456)	8,529
Lease liabilities	39,269,945	-	-	9,750,330	(15,287,187)	33,733,088
Term loans	748,427	-	-	-	(406,158)	342,269
Factoring payable	12,124,246	-	-	-	2,581,112	14,705,358
	54,985,339	(3,000,000)	-	9,750,330	(24,826,732)	36,908,937

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ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

(b) Changes in liabilities arising from financing activities: (Cont'd)

	At 1 January RM	Acquisition of new lease RM	Net cash flow RM	At 31 December RM
2018				
Amount due from related parties, net	(36,792)	-	(8,048,472)	(8,085,264)
Amount due to Directors	8,824,022	-	2,103,963	10,927,985
Lease liabilities	16,417,437	30,394,579	(7,542,071)	39,269,945
Term loans	794,314	-	(45,887)	748,427
Factoring payable	-	-	12,124,246	12,124,246
	25,998,981	30,394,579	(1,408,221)	54,985,339
2017				
Amount due to/(from) related parties, net	973,568	-	(1,010,360)	(36,792)
Amount due to Directors	6,008,298	-	2,815,724	8,824,022
Lease liabilities	5,313,498	12,956,394	(1,852,455)	16,417,437
Term loans	838,660	-	(44,346)	794,314
Factoring payable	23,896,289	-	(23,896,289)	-
	37,030,313	12,956,394	(23,987,726)	25,998,981

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ACCOUNTANTS' REPORT (CONT'D)

1. GENERAL INFORMATION

Nestcon Berhad (the "Company") was incorporated on 10 March 2020 under the Companies Act, 2016 as a private limited company. The Company is domiciled in Malaysia.

On 3 September 2020, Nestcon Sdn. Bhd. was converted into a public limited company and assumed its present name of Nestcon Berhad.

The registered office of the Company is located at No.7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur. The principal place of business is located at No. 02-10, Jalan Kenari 13B, Bandar Puchong Jaya, 47180 Puchong, Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The Company was incorporated to be the holding company for the restructured group pursuant to the internal restructuring exercise as disclosed in Note 2 to this report.

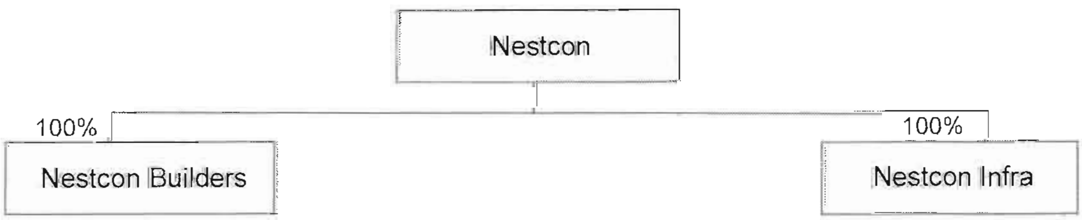
2. RESTRUCTURING EXERCISE

For the purpose of its Proposed Listing on the ACE Market of Bursa Securities ("Proposed Listing"), the Company undertook a restructuring exercise via the acquisition of Nestcon Builders Sdn. Bhd. ("Nestcon Builders") and Nestcon Infra Sdn. Bhd. ("Nestcon Infra") (collectively known as "Group").

The Company was incorporated as a special purpose investment holding vehicle to hold the combining entities pursuant to an internal restructuring.

On 28 August 2020, Nestcon entered into a conditional share sale agreement with Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan (collectively known as "Vendors") to acquire the entire equity interest in Nestcon Builders and Nestcon Infra comprising 2,400,000 and 8,000,000 ordinary shares respectively for a total purchase consideration of RM33,264,500 and RM24,679,400 respectively, satisfied by issuance of new ordinary shares in Nestcon of 277,204,167 and 205,661,666 respectively, at an issue price of RM0.12 per share. On 18 March 2021, pursuant to the share sale agreement, the Company issued and allotted 482,865,833 new ordinary shares of RM0.12 each to Vendors to acquire the entire equity interest in Nestcon Builders and Nestcon Infra. The new Shares issued under the Acquisition rank equally in all respects with existing Nestcon Shares. Thereafter, Nestcon Builders and Nestcon Infra becomes a wholly-owned subsidiary of the Company.

The corporate structure following completion of the Acquisition is as follows:



Nestcon and its combining entities are collectively known as "Group" in the combined financial statements contained in this Accountants' Report.

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ACCOUNTANTS' REPORT (CONT'D)

2. RESTRUCTURING EXERCISE (CONT'D)

Details of the combining entities as at the date of this report are as follows:

Name of combining entities	Date of incorporation	Issued share capital (RM)	Effective equity interest (%)				Principal activities
			2020	2019	2018	2017	
Nestcon Builders	24 September 2013	2,400,000	100	100	100	100	Engaged in construction works
Nestcon Infra [1,2]	22 August 2001	8,000,000	100	100	51	51	Engaged in construction works

[1] On 27 May 2019, Datuk Ir. Dr. Lim Jee Gin increased its ownership interest from 51% to 100% by acquired the remaining interest in Nestcon Infra.

[2] On 24 December 2020, the associate held by Nestcon Infra, Nestcon Hailong Sdn. Bhd. had been struck off.

All the combining entities within the Group at the date of this report are incorporated in Malaysia.

3. AUDITED COMBINED FINANCIAL STATEMENTS

This Report comprises solely the audited combined financial statements of the combining entities for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020. No financial statement of Nestcon Berhad was included for the financial years ended 31 December 2017 to 31 December 2019 as Nestcon Berhad was only incorporated on 10 March 2020.

4. SHARE CAPITAL

The Company was incorporated on 10 March 2020 with issued and paid-up share capital of RM10 comprising one hundred (100) ordinary shares.

On 25 August 2020, the Company issued 667 new shares at RM0.10 per ordinary share to its existing shareholder for a total consideration of RM67.

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ACCOUNTANTS' REPORT (CONT'D)

5. RELEVANT FINANCIAL YEARS

The relevant financial years of the audited financial statements presented for the purpose of this report ("Relevant Financial Years") and the statutory auditors of the respective companies within the Group are as follows:

Company	Relevant Financial Years	Auditor
Nestcon Builders	FYE 2017	Ecovis Malaysia PLT
	FYE 2018	Ecovis Malaysia PLT
	FYE 2019	Ecovis Malaysia PLT
	FYE 2020	Ecovis Malaysia PLT
Nestcon Infra	FYE 2017	Yeh & Co.
	FYE 2018	Ecovis Malaysia PLT
	FYE 2019	Ecovis Malaysia PLT
	FYE 2020	Ecovis Malaysia PLT

The audited financial statements of combining entities within the Group for the Relevant Financial Years reported above were not subject to any qualification or modification.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the financial statements from the day that control commences until the date that control ceases.

The combined financial statements of the Group for the relevant period were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period from the days the control commences, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant years.

The combined financial statements consist of the financial statements of the Group as disclosed in page 6 to 88 of this report, which were under common control throughout the reporting periods by virtue of common controlling shareholder, which is Vendors.

The audited combined financial statements of the Group have been prepared as if the Group has operated as a single economic entity throughout financial years ended 31 December 2017 to 31 December 2020 and have been prepared from the books and records maintained by each entity. No financial statement of Nestcon Berhad was included for the financial years ended 31 December 2017 to 31 December 2019 as Nestcon Berhad was only incorporated on 10 March 2020.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The accounting policies set out in Note 6.4 of this report have been applied in preparing the combined financial statements for the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

The combined financial statements are presented in RM, which is also the functional currency of the Group.

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018

The Group has elected to early adopt MFRS 9, 'Financial Instruments' ("MFRS 9"), MFRS 15, 'Revenue from Contracts with Customers' ("MFRS 15") and Clarifications to MFRS 15, 'Revenue from Contracts with Customers, which are mandatory for financial year beginning on or after 1 January 2018. The impacts of the adoption of these MFRSs on the Group's financial statements are as follows:

(a) <u>MFRS 9, 'Financial Instruments'</u>

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of MFRS 9, while the hedge accounting requirements under this Standard are not relevant to the Group. In accordance with the transition requirements under paragraph 7.2.1 of MFRS 9, the Group applies MFRS 9 retrospectively to each prior reporting period presented in the financial statements. The adoption of MFRS 9 had no significant financial impact on the retained earnings as at 1 January 2017.

i. **Changes to the accounting policies**

Financial assets

The Group classifies its financial assets into the following measurement categories depending on the Group's business model for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The available-for-sale ("AFS"), held-to-maturity ("HTM") and loans and receivables financial asset categories were removed.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, 'Financial Instruments' (Cont'd)

i. **Changes to the accounting policies (Cont'd)**

Financial assets (Cont'd)

The following summarises the key changes: (Cont'd)

- A new financial asset category measured at amortised cost was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows only.

- A new financial asset category measured at fair value through other comprehensive income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9 requires impairment assessments to be based on an expected credit loss ("ECL") model, replacing the incurred loss model under MFRS 139, 'Financial Instruments: Recognition and Measurement' ("MFRS 139").

The key changes in relation to impairment of financial assets are as follows:

a. **Financial assets other than trade receivables**

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group, and all the cash flows that the Group expects to receive.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, 'Financial Instruments' (Cont'd)

i. **Changes to the accounting policies** (Cont'd)

Impairment of financial assets (Cont'd)

a. **Financial assets other than trade receivables and contract assets** (Cont'd)

The Group applies a two-step approach to measure the ECL on financial assets other than trade receivables and contract assets:

(i) 12- months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(ii) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

At each financial year end, the Group assesses whether there is a significant increase in credit risk for financial assets other than trade receivables and contract assets since initial recognition by comparing the risk of default on these financial assets as at the financial year end with the risk of default as at the date of initial recognition. The Group considers historical experience on similar assets and other supportive information to assess deterioration in credit quality of these financial assets.

b. **Trade receivables and contract assets**

The Group applies the simplified approach prescribed by MFRS 9 which requires a lifetime ECL to be recognised from initial recognition of the trade receivables and contract assets.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(a) MFRS 9, 'Financial Instruments' (Cont'd)

ii. **Classification and measurement**

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 January 2017:

	Measurement category		Carrying amount as at 1 January 2017	
	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
Financial assets:				
Trade receivables	Loan and receivables	Amortised cost	177,013,066	177,013,066
Other receivables, deposits and prepayments [1]	Loan and receivables	Amortised cost	1,639,071	1,639,071
Contract assets	-	Amortised cost	-	5,202,170
Cash and bank balances	Loan and receivables	Amortised cost	5,831,121	5,831,121

[1] Prepayments are not financial assets but are included in the presentation to show impact of transition to MFRS 9 on affected financial statement line items.

Financial assets that has previously been classified as available for sales are now reclassified at fair value through profit or loss. Other investment is classified under FVTPL as the Group are acquired the investment principally for collecting contractual cash flows and selling financial assets.

Financial assets that has previously been classified as loans and receivables are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Classification of the Group's financial liabilities remained unchanged. Financial liabilities consisting of trade payables, other payables and accruals, amount due to related parties, amount due to Directors, lease liabilities and bank borrowings which are financial liabilities, continue to be measured at amortised cost.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.1 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2018 (Cont'd)

(b) **MFRS 15, 'Revenue from Contracts with Customers'**

The Group has elected to early adopt MFRS 15 which is applied retrospectively to each prior period presented in the financial statements. MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under MFRS 15, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The adoption of MFRS 15 does not change revenue recognition of the Group in the current and prior period.

6.2 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2019

The Group has elected to early adopt MFRS 16, 'Leases' ("MFRS 16"), which are mandatory for financial year beginning on or after 1 January 2019. The impacts of the adoption of these MFRSs on the Group's financial statements are as follows:

(a) **MFRS 16, 'Leases'**

The Group has elected to early adopt MFRS 16 in financial year beginning on 1 January 2017. In accordance with the transition requirements under the Appendix C, paragraph 5(a) of this standard, the Group applies MFRS 16 retrospectively to each prior reporting period presented in the financial statements.

As a result of the adoption of MFRS 16, the existing requirements to distinguish between finance leases and operating leases under MFRS 117, 'Leases' are no longer required. This Standard introduces a single accounting model, requiring the lessee to recognise the right-of-use of the underlying lease asset and the future lease payments liabilities in the statement of financial position. There are recognition exemptions for short term leases and leases of low value items. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.2 Early adoption of MFRS effective for the financial year beginning on or after 1 January 2019 (Cont'd)

(a) MFRS 16, 'Leases' (Cont'd)

The following table presents the impact of changes to the statements of financial position of the Group resulting from the adoption of MFRS 16 as at 1 January 2017:

	As at 31 December 2016 RM	Effect on adoption RM	As at 1 January 2017 RM
Non-current asset			
Property, plant and equipment	20,032,180	451,923	20,484,103
Non-current liability			
Lease liabilities	2,669,385	322,774	2,992,159
Current liability			
Lease liabilities	2,192,190	129,149	2,321,339
Total liabilities	4,861,575	451,923	5,313,498

i. Right-of-use assets comprise long-term lease on properties, motor vehicles and plant and machineries under finance lease agreement. Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation, accumulated impairment losses and adjusted for any remeasurement of lease liabilities.

ii. Lease liabilities are recognised and measured applying interest rate implicit in the lease range from 4.96% to 5.97%. Subsequent to the initial recognition, the Group measures lease liabilities by increasing the carrying amount to reflect interest on the lease liabilities, reducing the carrying amount to reflect lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modification.

Other than the above, the Group has elected to apply exemption from application of MFRS 16 for leases of property, plant and equipment expiring within 12 months from date of transition and those of low value underlying assets. The lease payments are recognised as an expense on a straight line basis over the remaining lease term during the current financial period.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 Standards, amendments to published standards and IC interpretations issued but not yet effective

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the combined financial statements. The Group intends to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following financial year:

MFRS (Including the Consequential Amendments)		**Effective Date**
Amendments to MFRS 4	Insurance Contracts – Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 7	Financial Instruments: Disclosures - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 9	Financial Instruments - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to MFRS 16	Leases – Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Annual Improvement to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9	Financial Instruments - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16	Leases - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.3 Standards, amendments to published standards and IC interpretations issued but not yet effective (Cont'd)

The following are standards, amendments to published standards and IC interpretations issued by Malaysian Accounting Standard Board ("MASB"), but not yet effective, up to the date of issuance of the combined financial statements. The Group intends to adopt these standards, amendments to published standards and IC interpretations, if applicable, when they become effective in the following financial year: (Cont'd)

MFRS (Including the Consequential Amendments)		Effective Date
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141	Agriculture – Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101	Presentation of Financial Statements – Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108	Accounting, Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1 January 2023
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 10	Consolidated Financial Statements - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 128	Investment in Associates and Join Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The initial application of the abovementioned new and amendments to published standards and IC interpretation, where applicable, are not expected to have any material financial impact to the combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies

(a) Basis of combination

Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3")

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the combined financial statements.

The Group is regarded as a continuing entity since the management of all the combining entities which took part were managed by the Directors and substantially under same major shareholders before and immediately after the restructuring exercise in Note 2. Accordingly, the financial information have been prepared on the basis of merger accounting.

In applying merger accounting, financial statement line items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined financial statements of the combining entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combining entities. Therefore, the assets, liabilities and equity of the combining entities or businesses are recognised at the carrying amounts in the combined financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined financial statements had been prepared by the controlling party, including adjustments required for conforming to the Company's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the combined financial statements of the combining entity.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the combining entity are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The combined financial statements were prepared based on the audited financial statements of combining entities which were prepared in accordance with MFRS and IFRS for the purpose of combination. The combining entities maintain their accounting records and prepare the relevant statutory financial statements in accordance with MFRS, IFRS and the requirements of the Act in Malaysia.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(a) Basis of combination (Cont'd)

Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3") (Cont'd)

The Group resulting from the restructuring exercise as disclosed in Note 2, is made up by two entities under common control. Accordingly, the combined financial statements have been accounted for using the principles of merger accounting where financial statement line items of the merged entities for the reporting periods in which the common control combination occur are included in the combined financial statements of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholders.

(b) Basis of consolidation

i. Investment in subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 affects the investee's return. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are measured in the Company's separate financial statements at cost less any impairment losses, unless the investment is held for sale (accounted for in accordance with MFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations') or distribution. The cost of investment includes transaction costs.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

i. Investment in subsidiaries (Cont'd)

The policy for the recognition and measurement of impairment losses is in accordance with Note 6.4(g) to this report. On disposal, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in profit or loss.

ii. Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, 'Financial Instruments' ("MFRS 9") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

iii. Acquisitions of non-controlling interests

Changes in the Company's ownership interest in a combining entity that do not result in a loss of control are accounted for as equity transactions between the Group and its non-controlling interest holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributable to the equity holders of the Company.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(b) Basis of consolidation (Cont'd)

iv. Loss of control

Upon the loss of control of a combining entity, the Group derecognises the assets and liabilities of the former combining entity, any non-controlling interests and the other components of equity related to the former combining entity from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former combining entity, then such interest is measured at fair value at the date the control ceases. Subsequently it is accounted for as an equity-accounted investee or as an equity instrument at fair value through other comprehensive income ("FVTOCI") depending on the level of influence retained.

v. Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a combining entity not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity, separately from equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Losses applicable to non-controlling interests in a combining entity are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and carrying amount of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(c) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of an asset begins when it is ready for its intended use. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Building equipment	10%
Computer and software	15% - 33.33%
Furniture and fittings	10% - 50%
Machinery	10%
Motor vehicles	20%
Office equipment	15% - 20%
Renovation	10% - 20%
Tools and equipment	20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for recognition and measurement of impairment losses is in accordance with Note 6.4(g) to this report.

The residual values, useful lives and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(d) Investment properties

Investment properties are freehold and leasehold land and building which are held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in the productivity or supply of goods or services or for administrative purposes. Such properties are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 6.4(g) to this report.

No depreciation is provided on the freehold land as it has indefinite useful life. Property under construction is also not depreciated as asset is not available for use. Depreciation of freehold and leasehold investment properties are provided on the straight line basis to write off the cost of investment properties to their residual value over their estimated useful lives of the investment properties.

The annual rate used to depreciate the freehold and leasehold investment properties is 2%.

Investment properties are derecognised when they have been disposed off or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. The gain or loss arising from the retirement or disposal of an investment properties are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 6.4(c) to this report up to date of change in use.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(e) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in associate is accounted for using the equity method. The associate is equity accounted for from the date the Group gains significant influence or joint control until the date the Group ceases to have significant influence over the associate.

Under the equity method, the investment in associate is initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of net assets of the associate since the acquisition date.

The statement of comprehensive income reflects the Group's share of the results of operation of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's statement of comprehensive income. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from the transactions between Group and the associate is eliminated to the extent of the investment in associate. The aggregate of the Group's share of profit or loss in associate is shown on the face of the statement of comprehensive income outside operating profit. The Group's share of profit or loss in associate represents profit or loss after tax and non-controlling interest in the associate.

When the Group's share of losses in an associate equals or exceeds its investment in associate, including any long term interests that, in substance, form part of the Group's net investment in associate, the Group does not recognise further losses, unless it has incurred obligations or made payment on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between recoverable amount of the associate and its carrying amount, then recognises the amount in the 'share of result of associate' on the face of the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposals is recognised in the statement of comprehensive income.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(f) Other investment

Other investment is carried at fair value through profit or loss and amortised cost. Where an indication of impairment exists, the carrying amount of the other investment is assessed and written down immediately to its recoverable amount, in line with the accounting policy set out in Note 6.4(i) to this report.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to profit or loss.

(g) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each period at the same time.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use CGU. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in profit or loss except for assets that have been previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rated basis.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(g) Impairment of non-financial assets (Cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is credited to profit or loss in the financial year in which the reversal is recognised.

(h) Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash and bank balances, 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, net of bank overdrafts and exclude deposits and bank balances pledged to secure banking facilities.

(i) Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Group become a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9 are as below:

i. **Financial assets measured at amortised cost**

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objectives are to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

ii. Financial assets measured at fair value

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group does not have any financial assets measured at FVTOCI.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives).

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group' right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(i) Financial assets (Cont'd)

Impairment of financial assets

The Group assesses at each financial years end whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses historical experience and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measure the impairment loss on financial assets other than trade receivables and contract assets based on the two-step approach. If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

For trade receivables and contract assets, the Group measures impairment loss based on lifetime ECL at each reporting date until the financial assets are derecognised.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(j) Financial liabilities

i. Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

a. Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group does not have any financial liabilities at FVTPL in the current financial year and previous financial years.

b. Other financial liabilities

The Group's other financial liabilities consist of payables, bank borrowings and lease liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(j) Financial liabilities (Cont'd)

ii. Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(k) Contract assets and contract liabilities

Contract assets is the right to consideration for goods or services transferred to the customers. Contract assets is the excess of cumulative revenue earned over the billings to date. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract assets.

Contract liabilities is the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer. Contract liabilities is the excess of the billings to date over the cumulative revenue earned. Contract liabilities include advance payment and downpayments received from customers and other amounts where the Group has billed before the goods are delivered or services are provided to the customers.

(l) Provisions for liabilities

Provisions for liabilities are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

i. Provision for defects liability

A provision is recognised when contract customer issues Certificates of Practical Completion ("CPC") after the completion of contractual performance obligation. The Group has also considered their past experience with rectifying defects for certain type of building construction.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(l) Provisions for liabilities (Cont'd)

i. Provision for defects liability (Cont'd)

The provision for defect liability are reversed as and when expenses are incurred to perform defects rectification, and entirely at the end of defects liability period. Any under-provision will be charged to profit or loss during the financial year.

ii. Provision for onerous contract

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(m) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are incurred. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the reporting date. A dividend proposed or declared after the reporting date, but before the report are authorised for issue, is not recognised as liability at the reporting date.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(o) Leases

i. As lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The right-of-use assets are initially recorded at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Depreciation is computed on a straight-line basis over the estimated useful lives of the right-of-use assets or lease term whichever is earlier.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Group's incremental borrowing rate. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications

ii. As lessor

Leases where the Group retain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(p) Revenue recognition

The Group recognises revenue from contracts with customers based on the five-step model as set out in MFRS 15:

i. Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

iii. Determine the transaction price. The transaction price is the amount of consideration to which the combining entities expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

v. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

i. Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; or

ii. Creates or enhances an asset that the customer controls as the asset is created or enhanced; or

iii. Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(p) Revenue recognition (Cont'd)

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligation in contracts with customers:

i. Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfied a performance obligation by transferring a promised good or service to the customer, which is when customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Construction contracts

The Group construct buildings and related infrastructure work under long-term contracts with customers. Construction service constructs comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

If control of the asset transfers at a point in time, revenue is recognised at a point in time when the customer obtains control of the asset.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(p) Revenue recognition (Cont'd)

i. Revenue from contracts with customers (Cont'd)

Construction contracts (Cont'd)

The Group become entitled to invoice customer for construction service based on achieving a series of performance-related milestones. The Group recognised a contract asset for any excess of revenue recognised to date over the billing-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any payment received from customers then the Group recognise a contract liability for the difference.

ii. Rental of machineries

Rental income is recognised on a straight line basis over the lease term on accrual basis.

(q) Other income

i. Interest income

Interest income is recognised on an accrual basis that reflects the effective yield of the asset.

(r) Employee benefits

i. Short-term employee benefits

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expenses in the financial year in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences.

Non-accumulating compensated absences, such as sick leave, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

Profit-sharing and bonus plans are recognised when the Group has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group has no realistic alternative but to make the payments.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(r) Employee benefits (Cont'd)

ii. **Defined contribution plans**

Defined contributions plans are post-employment benefits plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(s) Taxes

i. **Current tax**

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the period and is measured using the tax rates that have been enacted at the reporting date, and adjustment of tax payable in respect of the previous financial year.

Current taxes is 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.

ii. **Deferred tax**

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unutilised tax losses and unused tax credits can be utilised.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(s) Taxes (Cont'd)

ii. Deferred tax (Cont'd)

Deferred tax is 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 tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in the profit or loss, except when it arises from transaction which is recognised in other comprehensive income or directly in equity, in which case the deferred tax is charged or credited in other comprehensive income or directly in equity.

iii. Goods and Service Tax ("GST") and Sales and Service Tax ("SST")

Revenue, expenses and assets are recognised net of GST or SST except:

- where the GST or SST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST or SST is recognised as part of cost of acquisition of asset or as part of the expense item as applicable; and
- receivables and payables that stated with GST or SST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

The Malaysian Government has zero rated the GST effective from 1 June 2018. The GST has been replaced with SST which came into effect on 1 September 2018. The rate for Sales Tax is fixed at 5% or 10%, while the rate for Service Tax is fixed at 6%.

(t) Related parties

A related party is a person or an entity that is related to the Group under the following conditions:

i. A person or a close member of that person's family:

a. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
b. has control or joint control over the reporting entity; or
c. has significant influence over the reporting entity.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(t) Related parties (Cont'd)

A related party is a person or an entity that is related to the Group under the following conditions: (Cont'd)

ii. Any one of the following condition applies:

a. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
b. either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
c. both entities are joint ventures of a third entity.
d. either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
e. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
f. the entity is controlled or jointly controlled by a person identified in (i).
g. a person identified in (i)(b) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

iii. Directly, or indirectly through one or more intermediaries, the party:

a. controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
b. has an interest in the entity that gives it significant influence over the entity; or
c. has joint control over the entity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

i. that person's children and spouse or domestic partner;
ii. children of that person's spouse or domestic partner; and
iii. dependants of that person or that person's spouse or domestic partner.

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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ACCOUNTANTS' REPORT (CONT'D)

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(u) Fair value measurements (Cont'd)

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.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(v) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

6. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6.4 Significant accounting policies (Cont'd)

(w) Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the years, adjusted for own shares held.

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

(x) Operating segment

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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with MFRS requires management to exercise their judgement in the process of applying the Group's accounting policies and the use of accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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ACCOUNTANTS' REPORT (CONT'D)

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below:

(a) Construction revenue and expenses

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimation total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluate based on past experience.

(b) Measurement of income taxes

Liability for taxation is recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice of whether additional taxes will be payable. When the final outcome of the tax payable is determined with the tax authority, the amount might be different from the initial estimate of the tax payable. Such difference may impact the income tax in the period when such determination is made. The Group will adjust for the differences as over- or under- provision of income tax in the period in which those differences arise.

(c) Impairment of financial assets

The Group recognised impairment losses for trade and other receivables using the ECL model based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) Classification of a property as an investment property or property, plant and equipment

Certain property comprises of a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group accounts for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply or goods and services or for administrative purposes. Management uses its judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

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ACCOUNTANTS' REPORT (CONT'D)

7. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (CONT'D)

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below: (Cont'd)

(e) Useful lives of property, plant and equipment

MFRS 116, 'Property, Plant and Equipment' requires the review of the residual value and remaining useful life of an item of property, plant and equipment at each financial year end. The Group reviewed the residual values and remaining useful lives of its property, plant and equipment and found that no revisions to the residual values and remaining useful lives of these assets were necessary.

(f) Classification of non-current bank borrowings

Bank facilities agreements entered into by the Group include clauses for repayment on demand at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of loans at reporting date have been classified between current and non-current liabilities based on their repayment period.

(g) Measurement of right-of-use assets and lease liabilities

The right-of-use assets are depreciated on the straight-line basis over the assets' useful lives or lease term, whichever is earlier. Management estimates the useful lives of these assets based on expected usage level and current conditions of the assets with proper maintenance schedule, therefore future depreciation charges could be revised.

The lease term has been determined based on the non-cancellable period of lease in term and conditions of the arrangements together with both:

i. periods covered by an option to extend the leases; and
ii. periods covered by an option to terminate the lease.

In determining whether it is reasonably certain that an option to extend the lease or not to exercise an option to terminate the lease will be exercised, management has considered all relevant factors and circumstances that have created the economic incentives to exercise such option when exercising its judgement in the assessment.

The lease terms and incremental borrowing rates have been determined using appropriate assumptions as necessary including management's estimation of the application internal costs.

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ACCOUNTANTS' REPORT (CONT'D)

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RM	Building equipment RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Tools and equipment RM	Total RM
Cost										
At 1 January 2017	451,923	6,581,232	90,470	408,268	13,959,948	549,713	136,635	55,550	48,614	22,282,353
Additions	317,815	3,326,841	64,315	89,513	5,759,503	7,206,938	95,451	401,324	256,162	17,517,862
Disposals	-	-	-	-	(50,000)	-	-	-	-	(50,000)
At 31 December 2017 / 1 January 2018	769,738	9,908,073	154,785	497,781	19,669,451	7,756,651	232,086	456,874	304,776	39,750,215
Additions	556,042	4,311,006	95,602	34,195	24,535,526	5,068,846	105,015	60,762	450,747	35,217,741
Disposals	-	-	-	-	(451,604)	-	-	-	(15,000)	(466,604)
At 31 December 2018 / 1 January 2019	1,325,780	14,219,079	250,387	531,976	43,753,373	12,825,497	337,101	517,636	740,523	74,501,352
Additions	195,621	3,393,042	46,613	7,782	5,417,204	4,223,973	20,498	-	1,548,056	14,852,789
Disposals	-	-	-	-	(1,089,610)	(815,000)	-	-	-	(1,904,610)
Written off	-	-	-	-	(190,000)	(134,227)	-	-	(6,754)	(330,981)
At 31 December 2019	1,521,401	17,612,121	297,000	539,758	47,890,967	16,100,243	357,599	517,636	2,281,825	87,118,550
Additions	853,559	1,278,559	157,895	41,577	5,456,153	2,708,354	53,267	26,824	349,441	10,925,629
Disposals	-	(453,600)	-	-	-	(70,000)	-	-	-	(523,600)
Written off	-	-	-	-	(593,000)	-	(3,624)	-	-	(596,624)
Reassessment	(931,899)	-	-	-	-	-	-	-	-	(931,899)
Reversal	(415,598)	-	-	-	-	-	-	-	-	(415,598)
At 31 December 2020	1,027,463	18,437,080	454,895	581,335	52,754,120	18,738,597	407,242	544,460	2,631,266	95,576,458

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ACCOUNTANTS' REPORT (CONT'D)

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

	Land and buildings RM	Building equipment RM	Computer and software RM	Furniture and fittings RM	Machinery RM	Motor vehicles RM	Office equipment RM	Renovation RM	Tools and equipment RM	Total RM
Accumulated depreciation										
At 1 January 2017	-	829,398	29,734	86,496	637,638	150,375	35,473	26,542	2,594	1,798,250
Depreciation charges	185,795	792,752	28,341	47,294	1,712,530	788,820	34,049	22,608	36,198	3,648,387
Disposals	-	-	-	-	(417)	-	-	-	-	(417)
At 31 December 2017 / 1 January 2018	185,795	1,622,150	58,075	133,790	2,349,751	939,195	69,522	49,150	38,792	5,446,220
Depreciation charge	313,839	1,442,353	42,215	64,313	3,030,707	2,078,004	46,561	101,009	104,761	7,223,762
Disposals	-	-	-	-	(43,735)	-	-	-	(1,000)	(44,735)
At 31 December 2018 / 1 January 2019	499,634	3,064,503	100,290	198,103	5,336,723	3,017,199	116,083	150,159	142,553	12,625,247
Depreciation charge	467,520	1,577,476	47,332	57,728	4,662,059	3,154,075	56,663	88,526	363,599	10,474,978
Disposals	-	-	-	-	(321,270)	(138,000)	-	-	-	(459,270)
Written off	-	-	-	-	(42,750)	(48,916)	-	-	(4,165)	(95,831)
At 31 December 2019	967,154	4,641,979	147,622	255,831	9,634,762	5,984,358	172,746	238,685	501,987	22,545,124
Depreciation charge	471,655	1,796,269	65,486	57,116	4,954,162	3,376,624	53,188	87,722	493,726	11,355,948
Disposals	-	(147,420)	-	-	-	(45,500)	-	-	-	(192,920)
Written off	-	-	-	-	(110,833)	-	(1,484)	-	-	(112,317)
Reassessment	(635,332)	-	-	-	-	-	-	-	-	(635,332)
Reversal	(415,598)	-	-	-	-	-	-	-	-	(415,598)
At 31 December 2020	387,879	6,290,828	213,108	312,947	14,478,091	9,315,482	224,450	326,407	995,713	32,544,905
Carrying amounts										
At 31 December 2020	639,584	12,146,252	241,787	268,388	38,276,029	9,423,115	182,792	218,053	1,635,553	63,031,553
At 31 December 2019	554,247	12,970,142	149,378	283,927	38,256,205	10,115,885	184,853	278,951	1,779,838	64,573,426
At 31 December 2018	826,146	11,154,576	150,097	333,873	38,416,650	9,808,298	221,018	367,477	597,970	61,876,105
At 31 December 2017	583,943	8,285,923	96,710	363,991	17,319,700	6,817,456	162,564	407,724	265,984	34,303,995

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ACCOUNTANTS' REPORT (CONT'D)

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

(a) Right-of-use assets

The right-of-use assets represent operating lease agreements entered into by the Group for the use of land, office and staff hostel. The leases are mainly for an initial lease of one (1) to three (3) years with option to renew for another one (1) to three (3) years.

The Group also has leased building equipment, machinery and motor vehicles with lease term of one (1) to seven (7) years.

Additional information on the right-of-use assets is as follow:

	Building equipment RM	Land and buildings RM	Machinery RM	Motor vehicles RM	Total RM
Cost					
At 1 January 2017	6,184,892	451,923	3,896,088	439,713	10,972,616
Addition	1,956,979	317,815	4,150,889	6,530,711	12,956,394
At 31 December 2017	8,141,871	769,738	8,046,977	6,970,424	23,929,010
Addition	4,311,006	556,042	20,560,525	4,967,006	30,394,579
At 31 December 2018	12,452,877	1,325,780	28,607,502	11,937,430	54,323,589
Addition	2,553,469	195,621	5,356,268	1,644,972	9,750,330
At 31 December 2019	15,006,346	1,521,401	33,963,770	13,582,402	64,073,919
Addition	-	853,559	2,805,354	2,628,355	6,287,268
Written off	-	-	(593,000)	-	(593,000)
Reclassification	-	-	-	(494,843)	(494,843)
Reassessment	-	(931,899)	-	-	(931,899)
Reversal	-	(415,598)	-	-	(415,598)
At 31 December 2020	15,006,346	1,027,463	36,176,124	15,715,914	67,925,847
Accumulated depreciation					
At 1 January 2017	757,937	-	508,742	135,709	1,402,388
Depreciation charges	698,124	185,795	638,756	697,266	2,219,941
At 31 December 2017	1,456,061	185,795	1,147,498	832,975	3,622,329
Depreciation charges	1,248,336	313,839	1,812,923	1,910,324	5,285,422
At 31 December 2018	2,704,397	499,634	2,960,421	2,743,299	8,907,751
Depreciation charges	1,392,806	467,520	3,246,909	2,602,966	7,710,201
At 31 December 2019	4,097,203	967,154	6,207,330	5,346,265	16,617,952
Depreciation charges	1,500,635	471,655	3,484,801	2,874,197	8,331,288
Written off	-	-	(110,833)	-	(110,833)
Reclassification	-	-	-	(419,406)	(419,406)
Reassessment	-	(635,332)	-	-	(635,332)
Reversal	-	(415,598)	-	-	(415,598)
At 31 December 2020	5,597,838	387,879	9,581,298	7,801,056	23,368,071

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ACCOUNTANTS' REPORT (CONT'D)

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

(a) Right-of-use assets (Cont'd)

Additional information on the right-of-use assets is as follow: (Cont'd)

	Building equipment RM	Land and buildings RM	Machinery RM	Motor vehicles RM	Total RM
Carrying amount					
At 31 December 2020	9,408,508	639,584	26,594,826	7,914,858	44,557,776
At 31 December 2019	10,909,143	554,247	27,756,440	8,236,137	47,455,967
At 31 December 2018	9,748,480	826,146	25,647,081	9,194,131	45,415,838
At 31 December 2017	6,685,810	583,943	6,899,479	6,137,449	20,306,681

9. INVESTMENT PROPERTIES

	Property under constructions RM	Freehold land and building RM	Leasehold buildings RM	Total RM
Cost				
At 1 January 2017/ 31 December 2017/ 31 December 2018	-	-	2,270,000	2,270,000
Addition	499,097	768,000	-	1,267,097
Disposal	-	-	(745,000)	(745,000)
At 31 December 2019	499,097	768,000	1,525,000	2,792,097
Addition	651,406	-	-	651,406
Reclassification	(1,150,503)	-	1,150,503	-
At 31 December 2020	-	768,000	2,675,503	3,443,503
Accumulated depreciation				
At 1 January 2017	-	-	45,400	45,400
Depreciation charge	-	-	45,400	45,400
At 31 December 2017	-	-	90,800	90,800
Depreciation charge	-	-	45,400	45,400
At 31 December 2018	-	-	136,200	136,200
Depreciation charge	-	10,233	30,500	40,733
Disposal	-	-	(44,700)	(44,700)
At 31 December 2019	-	10,233	122,000	132,233
Depreciation charge	-	15,360	36,253	51,613
At 31 December 2020	-	25,593	158,253	183,846

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ACCOUNTANTS' REPORT (CONT'D)

9. INVESTMENT PROPERTIES (CONT'D)

	Property under constructions RM	Freehold land and building RM	Leasehold buildings RM	Total RM
Carrying amount				
At 31 December 2020	-	742,407	2,517,250	3,259,657
At 31 December 2019	499,097	757,767	1,403,000	2,659,864
At 31 December 2018	-	-	2,133,800	2,133,800
At 31 December 2017	-	-	2,179,200	2,179,200

(a) The Group's leasehold buildings has been pledged as security for the bank borrowings obtained from a licensed bank as disclosed in Note 20 to this report.

(b) The title of the investment properties is yet to received.

(c) The fair value of investment properties are as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Freehold land and building	768,000	768,000	-	-
Leasehold buildings	2,680,000	1,800,000	2,800,000	2,800,000
	3,448,000	2,568,000	2,800,000	2,800,000

The fair value represent the amounts at which the properties could be exchanged on an open market basis between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at each financial year end. The fair value disclosure of investment properties are estimated by Directors of the Group and categorised in Level 3 of the fair value hierarchy.

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10. INVESTMENT IN AN ASSOCIATE

	2020 RM	2019 RM	2018 RM	2017 RM
Unquoted shares, at cost	-	50	50	50
Less: Share of loss on investment in an associate (50%)	-	(50)	(50)	(50)
	-	-	-	-

On 16 November 2017, Nestcon Infra subscribed 50% equity interest (representing 50 ordinary shares) in an associate, Nestcon Hailong Sdn. Bhd. at a price of RM50.

On 24 December 2020, Nestcon Hailong Sdn. Bhd. had been struck off.

The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest 2020 %	2019 %	2018 %	2017 %	Principal Activity
Nestcon Hailong Sdn. Bhd. *~	Malaysia	-	50	50	50	Assembly and erection of prefabricated constructions on the site and also hiring of machinery

Notes:

* Not audited by Ecovis Malaysia PLT

~ Summarised financial statement information of Nestcon Hailong Sdn. Bhd. has not presented as the associate is not individually material to the Group

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11. OTHER INVESTMENTS

	Note	2020 RM	2019 RM	2018 RM	2017 RM
Non-current					
Financial asset at amortised cost	(a)	1,941,188	-	-	-
Current					
Financial asset at fair value through profit or loss	(b)	73,907	3,022,954	-	-
Total other investments		2,015,095	3,022,954	-	-

(a) Financial asset at amortised cost

The financial asset represents the insurance policy as a security to the term loan as disclosed in Note 20 to this report. This financial asset carries in effective interest rate range from 2.39% to 2.43% (2019: Nil, 2018: Nil, 2017: Nil) per annum and to be receive after five years.

	2020 RM	2019 RM	2018 RM	2017 RM
Nominal				
At 1 January	-	-	-	-
Additional	2,145,727	-	-	-
At 31 December	2,145,727	-	-	-
Less: Discount				
At 1 January	-	-	-	-
Additional	243,516	-	-	-
Unwinding of discount	(38,977)	-	-	-
At 31 December	204,539	-	-	-
Carrying amount at 31 December	1,941,188	-	-	-

(b) Financial asset at fair value through profit or loss

The financial asset represents investment in mutual funds in Malaysia.

The fair value measurements for the financial asset have been categories as Level 1 fair value based on unadjusted quoted price.

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12. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES)

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 relates to the same tax authority.

	2020 RM	2019 RM	2018 RM	2017 RM
Deferred tax assets	567,930	-	-	144,698
Deferred tax liabilities	(2,832,646)	(3,912,002)	(2,877,233)	(767,104)
	(2,264,716)	(3,912,002)	(2,877,233)	(622,406)
Deferred tax assets (before offsetting)				
Provisions	1,531,916	117,044	193,935	710,632
Unabsorbed capital allowance and unutilised tax losses carry forward	-	-	-	526,118
	1,531,916	117,044	193,935	1,236,750
Offsetting	(963,986)	(117,044)	(193,935)	(1,092,052)
Deferred tax assets (after offsetting)	567,930	-	-	144,698
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(3,796,632)	(4,029,046)	(3,071,168)	(1,859,156)
Offsetting	963,986	117,044	193,935	1,092,052
Deferred tax liabilities (after offsetting)	(2,832,646)	(3,912,002)	(2,877,233)	(767,104)

The components and movements of the Group's deferred tax assets and liabilities are as follows:

	Note	Provisions RM	Property, plant and equipment RM	Unabsorbed capital allowance and unutilised tax losses carry forward RM	Total RM
At 1 January 2017		-	(1,321,846)	840,141	(481,705)
Recognised in profit or loss	27	710,632	(537,310)	(314,023)	(140,701)
At 31 December 2017		710,632	(1,859,156)	526,118	(622,406)

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12. DEFERRED TAX ASSETS/(DEFERRED TAX LIABILITIES) (CONT'D)

The components and movements of the Group's deferred tax assets and liabilities are as follows: (Cont'd)

	Note	Provisions RM	Property, plant and equipment RM	Unabsorbed capital allowance and unutilised tax losses carry forward RM	Total RM
At 1 January 2018		710,632	(1,859,156)	526,118	(622,406)
Recognised in profit or loss	27	(516,697)	(1,212,012)	(526,118)	(2,254,827)
At 31 December 2018		193,935	(3,071,168)	-	(2,877,233)
Recognised in profit or loss	27	(76,891)	(957,878)	-	(1,034,769)
At 31 December 2019		117,044	(4,029,046)	-	(3,912,002)
Recognised in profit or loss	27	1,414,872	232.414	-	1,647,286
At 31 December 2020		1,531,916	(3,796,632)	-	(2,264,716)

13. TRADE RECEIVABLES

	2020 RM	2019 RM	2018 RM	2017 RM
Non-current:				
Retention sum receivables				
- Third parties	38,167,948	26,056,552	23,818,518	28,628,064
- Related parties	-	146,762	5,542,538	8,261,435
	38,167,948	26,203,314	29,361,056	36,889,499

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13. TRADE RECEIVABLES (CONT'D)

	2020 RM	2019 RM	2018 RM	2017 RM
Current:				
Receivables from contract with customers				
- Third parties	65,243,059	48,732,477	43,199,625	43,824,455
- Associate	-	34,643	248,643	-
- Related parties	-	14,485,273	3,110,849	28,987,085
	65,243,059	63,252,393	46,559,117	72,811,540
Retention sum receivables				
- Third parties	20,892,666	22,102,465	16,153,419	1,666,332
- Related parties	4,357,547	5,425,535	5,278,774	-
	25,250,213	27,528,000	21,432,193	1,666,332
	90,493,272	90,780,393	67,991,310	74,477,872
Total trade receivables	128,661,220	116,983,707	97,352,366	111,367,371
Retention sum receivables	(63,418,161)	(53,731,314)	(50,793,249)	(38,555,831)
Trade receivables at amortised cost	65,243,059	63,252,393	46,559,117	72,811,540

The progress billings are due within 45 days (2019: 45 days, 2018: 45 days, 2017: 45 days) as stipulated in construction contracts. The retention sums are due upon the expiry of the defect liability period stated in the respective construction contracts.

Ageing analysis on trade receivables

The ageing analysis of the Group's trade receivables are as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Trade receivables				
Neither past due nor impaired	33,176,596	41,570,714	8,990,701	22,650,233
Past due				
- less than 30 days	12,176,186	9,650,361	13,813,016	12,542,910
- 31 to 60 days	8,969,834	992,250	6,663,502	6,363,242
- 61 to 90 days	928,979	79,681	5,323,642	1,585,222
- over 90 days	9,991,464	10,959,387	11,768,256	29,669,933
	32,066,463	21,681,679	37,568,416	50,161,307
	65,243,059	63,252,393	46,559,117	72,811,540

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13. TRADE RECEIVABLES (CONT'D)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM32,066,463 (2019: RM21,681,679, 2018: RM37,568,416, 2017: RM50,161,307) that are past due but not impaired at the reporting date. The remaining receivables that are past due but not impaired are expected to be collected in the next 12 months.

Trade receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on past experience and no adverse information to date, the Directors of the Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered recoverable.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RM	2019 RM	2018 RM	2017 RM
Other receivables	1,938,093	6,776,656	2,300,384	2,155,492
Deposits	5,172,143	2,209,857	1,617,400	895,873
Prepayments	4,433,736	2,622,211	2,668,657	1,163,650
	11,543,972	11,608,724	6,586,441	4,215,015

Included in deposits is an amount of RM19,500 (2019: RM19,500, 2018: RM19,500, 2017: RM19,500) paid to a Director of the Group.

15. CONTRACT ASSETS/(CONTRACT LIABILITIES)

	2020 RM	2019 RM	2018 RM	2017 RM
Contract assets	46,123,662	61,529,957	19,251,666	2,684,628
Contract liabilities	(24,917,044)	(30,429,816)	(6,360,794)	(15,708,928)
	21,206,618	31,100,141	12,890,872	(13,024,300)

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ACCOUNTANTS' REPORT (CONT'D)

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

Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers. Contract liabilities primarily relate to the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer according to contract works certified. Contract liabilities are recognised as revenue as the Group performs under the contract.

(a) **Movement in contract assets and contract liabilities**

	2020 RM	2019 RM	2018 RM	2017 RM
Contract assets / (Contract liabilities)				
At 1 January	31,100,141	12,890,872	(13,024,300)	(7,487,481)
Net revenue recognised	344,478,636	422,274,363	210,731,866	183,427,686
Net progress billing	(354,372,159)	(404,065,094)	(184,816,694)	(188,964,505)
At 31 December	21,206,618	31,100,141	12,890,872	(13,024,300)

Revenue recognised during financial year which was included in contract liabilities balance at the beginning for the financial year is RM30,429,816 (2019: RM6,360,794, 2018: RM15,708,928, 2017: RM12,689,651).

(b) **Amount due from companies in which certain Director have financial interest**

	2020 RM	2019 RM	2018 RM	2017 RM
Contract assets	-	-	296,704	487,232
Contract liabilities	-	-	(6,360,794)	(15,408,927)
	-	-	(6,064,090)	(14,921,695)

(c) **Transaction price allocated to remaining performance obligation**

The Group expects to recognise revenue from remaining performance obligation for the construction contracts as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Within one year	838,499,448	707,771,653	323,780,839	148,754,659
Later than one year but not later than five years	314,735,441	568,473,761	320,048,788	190,009,581
	1,153,234,889	1,276,245,414	643,829,627	338,764,240

16. AMOUNT DUE FROM/(TO) RELATED PARTIES

The amount due from/(to) related parties are unsecured, interest free and payable on demand in cash and cash equivalents.

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ACCOUNTANTS' REPORT (CONT'D)

17. SHARE CAPITAL AND INVESTED EQUITY

For the purpose of this report, the total number of shares for all financial year end represents the aggregate number of issued and fully paid-up shares of all entities within the Group, net of shares held by non-controlling interest.

The movement in the issued and paid-up share capital of its combining entities are as follows:

(a) **Share capital**

	2020		2019		2018		2017	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Company								
Issued and fully paid up:								
At date of incorporation/ 1 January	100	10	-	-	-	-	-	-
Issued during the financial period	667	67	-	-	-	-	-	-
At 31 December	767	77	-	-	-	-	-	-

On 10 March 2020, Nestcon Berhad was incorporated with issued and paid-up share capital of RM10 comprising 100 ordinary shares.

On 25 August 2020, Nestcon Berhad issued 667 new shares at RM0.10 per ordinary share to its existing shareholder for a total consideration of RM67.

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17. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

The movement in the issued and paid-up share capital of its combining entities are as follows: (Cont'd)

(b) Invested equity

	2020		2019		2018		2017	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Nestcon Builders								
Authorised:								
At 1 January	-	-	-	-	-	-	2,400,000	2,400,000
Effects of adoption of the Companies Act, 2016	-	-	-	-	-	-	(2,400,000)	(2,400,000)
At 31 December	-	-	-	-	-	-	-	-
Issued and fully paid up:								
At 1 January / 31 December	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Nestcon Infra								
Authorised:								
At 1 January	-	-	-	-	-	-	2,550,000	2,550,000
Effects of adoption of the Companies Act, 2016	-	-	-	-	-	-	(2,550,000)	(2,550,000)
At 31 December	-	-	-	-	-	-	-	-

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17. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)

The movement in the issued and paid-up share capital of its combining entities are as follows: (Cont'd)

(b) Invested equity (Cont'd)

	2020		2019		2018		2017	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Issued and fully paid up:								
At 1 January	8,000,000	8,000,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000	2,550,000
Issued during the financial year	-	-	3,000,000	3,000,000	-	-	-	-
Changes in ownership interest	-	-	2,450,000	2,450,000	-	-	-	-
At 31 December	8,000,000	8,000,000	8,000,000	8,000,000	2,550,000	2,550,000	2,550,000	2,550,000
Total invested equity	10,400,000	10,400,000	10,400,000	10,400,000	4,950,000	4,950,000	4,950,000	4,950,000

The new Companies Act, 2016 which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concept of "authorised share capital" and "par value" have been abolished. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

On 12 June 2019, Nestcon Infra issued 3,000,000 new shares at RM1 per ordinary share to its existing shareholder for a total consideration of RM3,000,000.

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18. RETAINED EARNINGS

The Group policy is to treat all gains and losses in other statement of comprehensive income (i.e. nonowner transactions or events) as revenue reserves. Other than retained earnings, all other revenue reserves are regarded as non-distributable in the form of cash dividends to shareholders.

The retained earnings of the Group are available for distributions by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences to the Group that would result from the payment of dividends to shareholders. The dividends would not be taxable in the hands of the shareholders.

19. TRADE PAYABLES

	2020 RM	2019 RM	2018 RM	2017 RM
Non-current:				
Retention sum payables				
- Third parties	17,119,332	12,863,681	15,726,332	12,350,745
- Related parties	146,762	293,524	263,764	-
	17,266,094	13,157,205	15,990,096	12,350,745
Current:				
Trade payables				
- Third parties	124,383,280	131,595,413	71,644,743	69,774,288
- Related parties	1,049,756	1,905,273	2,736,166	271,272
	125,433,036	133,500,686	74,380,909	70,045,560
Retention sum payables				
- Third parties	11,549,796	12,671,996	2,396,883	2,222,247
- Related parties	146,762	-	-	-
	11,696,558	12,671,996	2,396,883	2,222,247
	137,129,594	146,172,682	76,777,792	72,267,807
Total trade payables	154,395,688	159,329,887	92,767,888	84,618,552
Retention sum payables	(28,962,652)	(25,829,201)	(18,386,979)	(14,572,992)
Trade payables at amortised cost	125,433,036	133,500,686	74,380,909	70,045,560

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2019: 30 to 90 days, 2018: 30 to 90 days, 2017: 30 to 90 days)

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20. BANK BORROWINGS

	2020 RM	2019 RM	2018 RM	2017 RM
Secured:				
Current:				
- Term loans	596,609	26,428	49,662	47,861
- Bank overdraft	34,653,214	16,230,421	7,880,087	5,502,816
- Factoring payable	12,483,820	14,705,358	12,124,246	-
	47,733,643	30,962,207	20,053,995	5,550,677
Non-current:				
- Term loans	3,460,158	315,841	698,765	746,453
Maturity of borrowings:				
- Not later than one year	47,733,643	30,962,207	20,053,995	5,550,677
- Later than one year and not later than five years	2,003,046	117,436	222,081	212,671
- Later than five years	1,457,112	198,405	476,684	533,782
	51,193,801	31,278,048	20,752,760	6,297,130

The above bank borrowings which are obtained from banking institutions are secured on the following:

(a) Bank overdraft

(i) Open All Monies Facilities Agreement to be entered into between the Borrower and the Bank;

(ii) First party pledge of fixed deposit of 10% each issuance of letter of credit or trust receipts to be created by the Borrower by way of an Open All Monies Memorandum of Deposit. The interest earned shall be capitalised and retained as security;

(iii) Pledge of fixed deposit of RM10,000,000 by way of sinking fund build-up via 5% retention from each progress payment as and when received from the Exsim Contract with duly executed Open All Monies Memorandum of Deposit to be executed by the Borrower. The interest earned shall be capitalised and retained as security;

(iv) An assignment and a fixed charge over receivables;

(v) Fixed charge over the designated collections account, sinking fund account and other accounts;

(vi) Charge over goods as defined under Master Security Agreement;

(vii) Charge over all payments or deposit from time to time paid or deposited into accounts opened or to be opened or maintained by the Group with any branch of the Bank which requires to be charged to the bank for all monies owing or payable under the facilities;

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ACCOUNTANTS' REPORT (CONT'D)

20. BANK BORROWINGS (CONT'D)

The above bank borrowings which are obtained from banking institutions are secured on the following: (Cont'd)

(a) Bank overdraft (Cont'd)

(viii) Open All Monies joint and several guarantee by Directors of the combining entities; and

(ix) Corporate guarantee by combining entity, Nestcon Builders.

The bank overdraft bear interest range from 1% to 1.25% above the Base Lending Rate per annum.

(b) Factoring payable

(i) Assignment of contract proceeds by way of Factoring Agreement; and

(ii) Joint and several guarantee by Directors of the combining entities.

The factoring payable bear the initial payment charge of 1.0% above Base Lending Rate per annum and the factoring charge of 0.10% flat on all certified progress claims.

(c) Term loans

(i) All Monies Facilities agreement as principal instruments;

(ii) All Monies Legal Charge or all Monies Deed of Assignment and Power of Attorney over investment properties as disclosed in Note 9 of this report as subsidiary instrument;

(iii) Equitable assignment of rental proceeds is to be created over investment properties as disclosed in Note 9 of this report;

(iv) Joint and several guarantee by the Directors of the combining entities;

(v) An insurance policy with sum assured of not less than RM5,000,000 is to be taken up under the name of Directors of the combining entities and assigned to the bank; and

(vi) Credit Guarantee Corporation Malaysia Berhad's guarantee under BizJamin Special Relief Facility.

Term loans bear interest rate from 3.17% to 5.57% (2019: 4.17%, 2018: 4.42%, 2017: 4.17%) per annum.

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21. LEASE LIABILITIES

	2020 RM	2019 RM	2018 RM	2017 RM
Minimum lease payments:				
- Not later than one year	14,256,415	16,229,143	15,013,475	7,138,015
- Later than one year and not later than five years	13,256,617	20,002,660	28,030,425	10,504,474
- Later than five years	113,713	177,112	182,455	188,845
	27,626,745	36,408,915	43,226,355	17,831,334
Less: Future interest charges	(1,951,974)	(2,675,827)	(3,956,410)	(1,413,897)
Present value of lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437
Represented by:				
Current:				
- Not later than one year	13,088,804	14,637,568	12,997,519	6,357,014
Non-current:				
- Later than one year and not later than five years	12,475,076	18,923,562	26,096,902	9,944,955
- Later than five years	110,891	171,958	175,524	115,468
	12,585,967	19,095,520	26,272,426	10,060,423
Present value of lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437

Certain lease liabilities of the Group are secured by personal guarantee by the Directors of the combining entities and corporate guarantee by combining entity, Nestcon Builders.

The lease liabilities bear effective annual interest rate as at end of the reporting period range from 4.00% to 6.59% (2019: 4.35% to 8.40%, 2018: 4.46% to 8.40%, 2017: 4.46% to 6.86%) per annum.

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22. OTHER PAYABLES AND ACCRUALS

	2020 RM	2019 RM	2018 RM	2017 RM
Other payables	2,601,024	4,464,705	1,559,995	2,260,114
Provision	2,529,920	487,683	808,064	2,960,957
Accruals	1,240,954	2,187,489	2,332,254	1,218,628
Deposits received	-	450,000	-	-
	6,371,898	7,589,877	4,700,313	6,439,699

23. AMOUNT DUE TO DIRECTORS

The amount due to Directors are unsecured, interest free and payable on demand in cash and cash equivalents.

24. REVENUE

	2020 RM	2019 RM	2018 RM	2017 RM
Construction contracts	344,478,636	422,724,363	214,281,866	187,810,493
Rental of machineries	-	61,924	3,482,011	3,046,358
	344,478,636	422,786,287	217,763,877	190,856,851
Timing of revenue recognition:				
- At a point of time	-	450,000	3,550,000	4,382,807
- Over time	344,478,636	422,336,287	214,213,877	186,474,044
	344,478,636	422,786,287	217,763,877	190,856,851

25. FINANCE COSTS

	2020 RM	2019 RM	2018 RM	2017 RM
Bank overdraft interest	1,426,632	776,850	568,653	6,907
Factoring interest	1,515,873	1,639,891	476,487	637,685
Lease liabilities interest	1,521,715	2,243,182	1,369,759	610,365
Term loans interest	82,798	17,373	35,780	35,728
	4,547,018	4,677,296	2,450,679	1,290,685

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26. PROFIT BEFORE TAX

	2020 RM	2019 RM	2018 RM	2017 RM
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration				
- current financial year	57,000	64,000	56,400	46,000
- underprovision in the previous financial year	-	-	800	12,250
Depreciation of property, plant and equipment	11,355,948	10,474,978	7,223,762	3,648,387
Depreciation of investment properties	51,613	40,733	45,400	45,400
Loss on disposal of investment properties	-	20,300	-	-
Property, plant and equipment written off	484,307	235,150	-	-
Rental of machinery[1]	13,534,434	16,609,232	7,892,363	10,337,434
Rental of premises[1]	176,513	262,778	264,680	85,838
Staff costs				
- Salaries, wages, bonuses and allowance	16,434,390	16,633,159	12,825,453	7,003,704
- Defined contribution plan	1,972,460	1,642,953	1,005,261	518,406
- Social security contribution	217,625	160,570	96,424	45,767
- Other benefits	426,498	695,214	552,590	387,141
Gain on disposal of property, plant and equipment	(167,920)	(87,160)	(183,131)	(30,417)
Gain on remeasurement of lease liabilities	(29,234)	-	-	-
Interest income	(714,142)	(611,443)	(368)	(77,834)
Insurance compensation	(77,379)	(282,100)	(215,486)	-

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26. PROFIT BEFORE TAX (CONT'D)

The following operating costs are included in cost of sales:

	2020 RM	2019 RM	2018 RM	2017 RM
Depreciation of property, plant and equipment	10,516,509	9,751,067	6,080,913	3,103,527
Rental of machinery[1]	13,534,434	16,609,232	7,892,363	10,337,434
Rental of premises[1]	170,513	262,778	263,180	85,838
Staff costs				
- Salaries, wages, bonuses and allowance	12,202,960	10,660,288	7,318,839	3,449,285
- Defined contribution plan	1,417,953	888,118	472,732	170,735
- Social security contribution	175,773	106,398	57,587	18,240
- Other benefits	70,026	135,590	155,392	49,635

[1] The amount represent short-term lease and low value underlying assets under MFRS 16 as disclosed in Note 6.2(a) to this report.

27. TAXATION

	2020 RM	2019 RM	2018 RM	2017 RM
Income tax:				
- Current year	6,557,385	5,379,908	2,218,245	2,227,263
Deferred tax (Note 12)				
- Current year	(1,647,286)	1,034,769	2,254,827	140,701
- Underprovision in prior year	-	-	-	237,881
	4,910,099	6,414,677	4,473,072	2,605,845

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27. TAXATION (CONT'D)

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

	2020 RM	2019 RM	2018 RM	2017 RM
Profit before tax	19,210,980	22,181,720	14,373,828	8,549,068
Malaysian statutory tax rate of 24%	4,610,634	5,323,613	3,449,719	2,051,776
Tax effect in respect of:				
Non-taxable income	-	-	(33,222)	(7,200)
Tax-exempted income	-	-	(183,986)	(145,395)
Non-deductible expenses	299,465	1,126,064	1,270,561	498,783
Underprovision of deferred tax liabilities in prior year	-	-	-	237,881
Differential in tax rate for small and medium companies in Malaysia	-	(35,000)	(30,000)	(30,000)
Income tax expense	4,910,099	6,414,677	4,473,072	2,605,845

28. DIVIDENDS

	FYE 31 December			
	2020 RM	2019 RM	2018 RM	2017 RM
Nestcon Builders				
Interim single-tier dividend of RM0.92 per ordinary share for the financial year ended 31 December 2019 paid on 31 October 2019	-	2,200,000	-	-
Interim single-tier dividend of RM0.83 per ordinary share for the financial year ended 31 December 2018 paid on 31 July 2018	-	-	2,000,000	-

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29. CASH AND CASH EQUIVALENTS

	At 31 December			
	2020	**2019**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Fixed deposits placed with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Cash and bank balances	59,198,531	40,700,747	17,042,010	17,345,071
	87,326,321	55,654,769	26,891,269	22,125,113
Less: Bank overdrafts	(34,653,214)	(16,230,421)	(7,880,087)	(5,502,816)
Less: Pledged deposits with financial institution	(23,127,790)	(14,954,022)	(9,849,259)	(4,780,042)
Less: Restricted cash at bank	(17,061,490)	(11,202,444)	(685,157)	-
	12,483,827	13,267,882	8,476,766	11,842,255

The fixed deposits with financial institution were pledged as security for the guarantee for performance bond and bank facilities as disclosed in Note 20 to this report.

The effective annual interest rate for fixed deposits as at end of reporting period range from 1.55% to 1.60% (2019: 3.00% to 4.70%, 2018: 3.80% to 4.70%, 2017: 3.05% to 4.70%) per annum.

30. EARNINGS PER SHARE

Basic and diluted earnings per ordinary share are calculated by dividing the profit for the financial years attributable to owners of the Company by the weighted average number of ordinary shares in issue for the financial year.

For the purpose of this report, the number of ordinary shares for the financial years 31 December 2020, 31 December 2019, 31 December 2018 and 31 December 2017 represents the weighted average aggregate ordinary shares issued of the Company and its combining entities.

	2020	**2019**	**2018**	**2017**
Profit for the financial years attributable to owners of the Company (RM)	14,300,881	14,586,805	7,454,518	5,483,563
Weighted average number of ordinary shares at 31 December (units)	10,400,316	8,088,493	4,950,000	4,950,000
Basic and diluted earnings per ordinary share (RM)	1.38	1.80	1.51	1.11

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30. EARNINGS PER SHARE (CONT'D)

There were no dilutive potential equity instruments in issue as at each FYE that have dilutive effect to the earnings per ordinary share.

31. CORPORATE GUARANTEE

	2020 RM	2019 RM	2018 RM	2017 RM
Nestcon Builders				
Corporate guarantee given to licensed banks to secure credit facilities granted to combining entity, Nestcon Infra	152,881,600	152,881,600	108,914,000	27,000,000
Corporate guarantee given to licensed banks to secure credit facilities granted to a related party, Picoland Sdn. Bhd.	40,500,000	-	-	-
Bank guarantee given to a licensed bank as security for performance bond	17,605,000	5,515,000	5,515,000	-
Nestcon Infra				
Corporate guarantee given to licensed banks to secure credit facilities granted to combining entity, Nestcon Builders	30,000,000	-	-	-
Bank guarantee given to a licensed bank as security for performance bond	24,841,326	16,538,945	10,829,672	-

The maximum exposure to credit risk amounting to RM14,076,291 (2019: Nil, 2018: Nil, 2017: Nil) representing the outstanding banking facilities of a Company which a certain Director have interests as at end of the reporting period.

Generally, the Group consider the financial guarantees to be of low credit risk as the guarantee are provided as credit enhancement to the related party's secured borrowings. As at the reporting date, there was no loss allowance as determined by the Group for the financial guarantee. The fair value of the above financial guarantee has not been recognised since the fair value on initial recognition was not material.

Performance bond require the Group to make payments to third parties in the event that the Group does not perform in according to the terms of any related contracts. The maximum exposure to credit risk is amounted to RM42,446,326 (2019: RM22,053,945, 2018: RM16,344,672, 2017: Nil).

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32. CAPITAL COMMITMENT

	2020 RM	2019 RM	2018 RM	2017 RM
Approved and contracted for:				
Building under construction	-	651,406	-	-

33. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group have the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where combining entities and the parties are subject to common control or common significant influence. Related parties could be individual or other entities.

Related parties of the Group included:-

(i) Entities in which the Directors have substantial financial interest; and
(ii) Key management personnel of the Group, comprise persons (including Directors) having the authorities and responsibility for planning, directing and controlling the activities.

(b) In addition to the information detailed elsewhere in the report, the combining entities had the following transactions with related parties during the reporting periods:

	2020 RM	2019 RM	2018 RM	2017 RM
Lease payment charged by:				
- Director	(78,000)	(78,000)	(78,000)	(39,000)
Progress billing charged to:				
- Related parties	-	26,023,734	60,501,802	58,550,078
Rental income charged to:				
- Associate	-	-	109,757	-
Contract costs charged by:				
- Related parties	-	(3,741,418)	(2,837,520)	-
Purchase of material from:				
- Related party	(2,180,313)	(3,145,468)	(2,116,793)	(938,457)

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33. RELATED PARTY DISCLOSURES (CONT'D)

(b) In addition to the information detailed elsewhere in the report, the combining entities had the following transactions with related parties during the reporting periods: (Cont'd)

	2020 RM	2019 RM	2018 RM	2017 RM
Net repayment received/ (advances to):				
- Related parties	11,880,307	(6,365,893)	(8,235,264)	-
Net (repayment to)/advance received from:				
- Directors	(8,529)	(3,524,111)	104,017	2,815,723
Administrative fee charged to:				
- Associate	-	36,000	-	-
Expenses paid on behalf by:				
- Related parties	-	33,384	9,172	19,322

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

	2020 RM	2019 RM	2018 RM	2017 RM
Directors' compensation				
Directors' fees	40,000	-	-	-
Directors' remuneration and other emoluments	1,434,837	1,256,696	1,249,944	1,350,696
Directors' defined contribution plans	188,902	181,344	201,105	214,126
Directors' other benefits	3,694	3,078	3,694	3,245
Total compensation	1,667,433	1,441,118	1,454,743	1,568,067

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34. SEGMENT INFORMATION

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely building and infrastructure construction works.

The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

34.1 MAJOR CUSTOMERS

Revenue from external customers contributed 10% or more to the total revenue recognised is as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Customer A	118,929,451	185,532,294	69,573,665	123,975,341
Customer B	110,966,815	151,472,484	21,385,666	-
Customer C	43,302,523	42,649,722	21,257,737	-
Customer D	-	-	66,607,171	41,584,434

35. FINANCIAL INSTRUMENTS

(i) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 6.4(i) & (j) describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The table below provides an analysis of financial instruments of the Group in the statement of financial position by the classes and categories of financial instruments to which they are assigned and therefore by the measurement basis, as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Financial assets				
<u>Fair value through profit or loss</u>				
Other investments	73,907	3,022,954	-	-

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35. FINANCIAL INSTRUMENTS (CONT'D)

(i) Classification of financial instruments (Cont'd)

	2020 RM	2019 RM	2018 RM	2017 RM
Financial assets (cont'd)				
At amortised cost:-				
Trade receivables	65,243,059	63,252,393	46,559,117	72,811,540
Other receivables and deposits	7,110,236	8,986,513	3,917,784	3,051,365
Contract assets	46,123,662	61,529,957	19,251,666	2,684,628
Amount due from related parties	-	11,880,307	8,085,264	45,893
Other investments	1,941,188	-	-	-
Fixed deposit with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Cash and bank balances	59,198,531	40,700,747	17,042,010	17,345,071
	207,744,466	201,303,939	104,705,100	100,718,539
Financial liabilities				
At amortised cost:-				
Trade payables	125,433,036	133,500,686	74,380,909	70,045,560
Other payables and accruals	3,841,978	7,102,194	3,892,249	3,478,742
Amount due to related parties	-	-	-	9,101
Amount due to Directors	-	8,529	10,927,985	8,824,022
Bank borrowings	51,193,801	31,278,048	20,752,760	6,297,130
Lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437
	206,143,586	205,622,545	149,223,848	105,071,992

(ii) Financial risk management policies

The Group is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk and liquidity risk.

The Board of Directors review and agree policies and procedure for the management of these risks, which are executed by the Managing Director. The Group's financial risk management policies are to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management policies (Cont'd)

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of those risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The management does not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest risk fluctuation.

The interest rate profile of the Group's significant interest bearing financial instruments, based on the carrying amounts as at end of the financial year is as follows:

	2020 RM	2019 RM	2018 RM	2017 RM
Fixed rate instruments				
Financial asset				
Fixed deposit with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Financial liabilities				
Bank borrowings	1,000,000	-	-	-
Lease liabilities	25,674,771	33,733,088	39,269,945	16,417,437
	26,674,771	33,733,088	39,269,945	16,417,437
Floating rate instruments				
Financial liability				
Bank borrowings	50,193,801	31,278,048	20,752,760	6,297,130

Interest rate risk sensitivity analysis

Sensitivity analysis is not disclosed for fixed rate instruments as fixed rate instruments are not exposed to interest rate risk and are measured at amortised cost.

A 50 basis points strengthening in the interest rate of floating rate instruments as at the end of the reporting periods would have decreased profit before tax by RM250,969 (2019: RM156,390, 2018: RM103,764, 2017: RM31,486). A 50 basis points weakening would have had an equal but opposite effect on the profit before tax. This assumes that all other variables remain constant.

35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management policies (Cont'd)

(a) Credit risk

Credit risk is the risk of a financial loss to the Group that may arise if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its trade and other receivables. For the amount due from related parties, the Group considers loan and advance to related parties have low risk. For other financial assets (including fixed deposits placed with financial institution and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The management has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

Credit risk concentration profile

The Group major concentration of credit risk relates to the amount due from 2 (2019: 4, 2018: 3, 2017: 3) receivables which constituted 50% (2019: 69%, 2018: 77%, 2017: 88%) respectively of its trade receivables as at the end of each reporting period.

Exposure to credit risk

At the end of the financial year, as the Group does not hold any collateral, the Group's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the statement of financial position.

Information regarding ageing analysis on trade receivables is disclosed in Note 13 in this report.

The Group considers the probability of default upon initial recognition of trade and other receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group categorises a receivable as impaired when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

An impairment analysis is performed at each reporting date using provision matrix to measure expected credit losses for all trade receivables and contract assets.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) Financial risk management policies (Cont'd)

(b) Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

The expected credit losses incorporate historical default experience, customer financial information, past trend of payments of each customer individually and forward looking information such as forecast of economic conditions where the gross domestic product is expected to deteriorate over the next year, leading to increase in the number of defaults. No expected credit loss allowance provision to be made as at the end of each reporting period as it is immaterial.

The Group is able to determine the timing of payments of the loans and advances to related parties when they are payables, the Group considers the loans and advances to be in default when they are not able to pay when demanded. As at the end of the financial year, there was no indication that the amount due from related parties are not recoverable.

The credit risk for other financial assets (including other investments, fixed deposit with financial institution and bank balances) is considered negligible, since the counterparties are reputable banks and financial institutions with high quality external credit ratings.

At the end of the reporting period, there was no indication that there are other financial assets are impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group objectives is to maintain a balance between continuity of funding and flexibility of cash flow though the use of standby credit facilities.

The Group maintains a level of cash and cash equivalents, bank overdrafts and loan facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) **Financial risk management policies (Cont'd)**

(c) **Liquidity risk (Cont'd)**

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within on year RM	Two to five year RM	More than five year RM
2020					
Trade payables	125,433,036	125,433,036	125,433,036	-	-
Other payables and accruals	3,841,978	3,841,978	3,841,978	-	-
Bank borrowings	51,193,801	52,003,192	47,895,770	2,819,883	1,287,539
Lease liabilities	25,674,771	27,626,745	14,256,415	13,256,617	113,713
	206,143,586	208,904,951	191,427,199	16,076,500	1,401,252
2019					
Trade payables	133,500,686	133,500,686	133,500,686	-	-
Other payables and accruals	7,102,194	7,102,194	7,102,194	-	-
Amount due to Directors	8,529	8,529	8,529	-	-
Bank borrowings	31,278,048	31,359,308	30,975,979	160,800	222,529
Lease liabilities	33,733,088	36,408,915	16,229,143	20,002,660	177,112
	205,622,545	208,379,632	187,816,531	20,163,460	399,641

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35. FINANCIAL INSTRUMENTS (CONT'D)

(ii) **Financial risk management policies (Cont'd)**

(c) **Liquidity risk (Cont'd)**

Analysis of financial instruments by remaining contractual maturities (Cont'd)

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments (Cont'd):

	Carrying amount RM	Contractual undiscounted cash flows RM	On demand or within on year RM	Two to five year RM	More than five year RM
2018					
Trade payables	74,380,909	74,380,909	74,380,909	-	-
Other payables and accruals	3,892,249	3,892,249	3,892,249	-	-
Amount due to Directors	10,927,985	10,927,985	10,927,985	-	-
Bank borrowings	20,752,760	20,965,320	20,086,077	326,976	552,267
Lease liabilities	39,269,945	43,226,355	15,013,475	28,030,425	182,455
	149,223,848	153,392,818	124,300,695	28,357,401	734,722
2017					
Trade payables	70,045,560	70,045,560	70,045,560	-	-
Other payables and accruals	3,478,742	3,478,742	3,478,742	-	-
Amount due to related parties	9,101	9,101	9,101	-	-
Amount due to Directors	8,824,022	8,824,022	8,824,022	-	-
Bank borrowings	6,297,130	6,550,153	5,582,892	320,304	646,957
Lease liabilities	16,417,437	17,831,334	7,138,015	10,504,474	188,845
	105,071,992	106,738,912	95,078,332	10,824,778	835,802

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35. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Fair values of financial instruments

(a) Financial instruments not carried at fair value

The following summarise the methods used to determine the fair values of the financial instruments:

i. The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short term maturity of the financial instruments.

ii. The fair value of lease liabilities and non-current other investment is determined by discounting the relevant cash flows using current interest rates for similar instruments as at the end of the financial reporting period.

iii. The carrying amount of the floating rate term loans approximated their fair values as these instruments bear interest at variables rates.

iv. The carrying amount of the fixed rate term loans approximated their fair values as these instruments bear interest at approximated market lending rate at the reporting date.

(b) Financial instruments carried at fair value

Financial assets carried at fair value disclosed in Note 35(i) to this report. The fair value of the investment in mutual fund is a Level 1 fair value derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. There was no material transfer between Level 1, 2 and 3 during the financial year.

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36. CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust capital structure, the Group may adjust the dividend payment, return capital to shareholders or issue new shares.

	2020 RM	2019 RM	2018 RM	2017 RM
Total borrowings (Note 20 and 21)	(76,868,572)	(65,011,136)	(60,022,705)	(22,714,567)
Less: Fixed deposits with financial institution	28,127,790	14,954,022	9,849,259	4,780,042
Less: Cash and bank balances	59,198,531	40,700,747	17,042,010	17,345,071
Less: Other investment	73,907	3,022,954	-	-
Net cash/(debt)	10,531,656	(6,333,413)	(33,131,436)	(589,454)
Total equity	72,244,912	57,943,953	41,376,911	33,476,155
Net gearing ratio	n/a	0.11	0.80	0.02

The combining entities are required to comply with gearing ratios (ratio defined by the respective financial institution) and tangible net worth value in respect of their bank borrowings.

37. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

(a) The World Health Organisation declared the novel coronavirus ("Covid-19") a global pandemic on 11 March 2020. To curb the spread of Covid-19 outbreak in Malaysia, the government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020 that involved strict movement restrictions and closure of non-essential business premises, followed by Conditional MCO ("CMCO") and Recovery MCO ("RMCO") until the end of December 2020. Various measures to prevent the spread of the virus such as restricted movement, overseas and interstate travel bans, closure of businesses and education institutions and work-from-home arrangements have impacted consumer spending power and pattern and brought about significant economic uncertainties in Malaysia.

The pandemic has significantly disrupted many business operations and created uncertainties within the country, including the Group's operations. The Group's revenue has been affected mainly because the property and construction divisions could not operate during the MCO and when operations could commence again during the CMCO, there was hiccups in the supply of workers.

The Group has identified construction contracts which are behind planned schedule due to the disruption in operations and supply of workers. The Group has applied for extension of time from customers and consensus had been reached with customers that the delay will not result in any liquidated ascertained damages claim against the Group.

NESTCON BERHAD

(Incorporated in Malaysia)
Registration No. 202001008684 (1365004-W)

ACCOUNTANTS' REPORT (CONT'D)

37. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD (CONT'D)

(a) The Group's has not been significantly affected by the pandemic. The enactment of the Covid-19 Act 2020 by the government allowed the period from 18 March 2020 to 31 August 2020 to be disregarded in the calculation of liquidated ascertained damages. The Group has also applied for extension of the exclusion to 31 December 2020 as permitted by the Covid-19 Act 2020. Nevertheless, the Group is confident that its plan for ongoing development projects to be completed as scheduled within the stipulated time frame will be achieved.

At this juncture, it is not possible for the Group to estimate the full short-term and longer term impact of the effects of Covid-19 and government's measures to combat the pandemic. As the situation is still evolving as at the date of this report, the Group will monitor the ongoing situation and continuously take various actions to mitigate the effects of Covid-19, which includes safety and health measures for the employees and workers of the Group and securing the supply of raw materials. The Group will be taking appropriate and timely measures to minimise the impact of the Covid-19 outbreak on the Group's operations.

(b) On 28 August 2020, Nestcon entered into a conditional share sale agreement with Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan to acquire the entire equity interest in Nestcon Builders and Nestcon Infra comprising 2,400,000 and 8,000,000 ordinary shares respectively for a total purchase consideration of RM33,264,500 and RM24,679,400 respectively, satisfied by issuance of new ordinary shares in Nestcon of 277,204,167 and 205,661,666 respectively, at an issue price of RM0.12 per share.

On 18 March 2021, pursuant to the share sale agreement, the Company issued and allotted 482,865,833 new ordinary shares of RM0.12 each to Vendors to acquire the entire equity interest in Nestcon Builders and Nestcon Infra. The new Shares issued under the Acquisition rank equally in all respects with existing Nestcon Shares. Thereafter, Nestcon Builders and Nestcon Infra becomes a wholly-owned subsidiary of the Company.

(c) On 17 February 2021, the Company obtained approval from Bursa Securities for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE market of Bursa Securities.

(d) On 30 April 2021, Nestcon Infra entered into a sale and purchase agreement to dispose a leasehold building for a total consideration of RM680,000.

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ACCOUNTANTS' REPORT (CONT'D)

STATEMENT BY DIRECTORS

We, **Datuk Ir. Dr. Lim Jee Gin** and **Lim Joo Seng**, being two of the Directors of **Nestcon Berhad**, state that, in the opinion of the Directors, the combined financial statements set out on pages 6 to 88 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 and of their financial performance, changes in equity and cash flows for each of the financial years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 10 May 2021.

DATUK IR. DR. LIM JEE GIN
Director
10 May 2021

LIM JOO SENG
Director

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201404001750 (LLP0003185-LCA) & AF 001825
Chartered Accountants. Kuala Lumpur, Malaysia

Kuala Lumpur, Malaysia
Phone : +603 7981 1799
Fax No: +603 7980 4796

The Board of Directors
Nestcon Berhad
No. 02-10, Jalan Kenari 13B,
Bandar Puchong Jaya,
47180 Puchong,
Selangor Darul Ehsan.

10 May 2021

Dear Sirs

NESTCON BERHAD ("NESTCON" OR "THE COMPANY") AND ITS SUBSIDIARIES ("NESTCON GROUP" OR "THE GROUP")

REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR INCLUSION IN PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of Nestcon Group prepared by the Board of Directors of the Company. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at 31 December 2020 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The pro forma consolidated financial information has been prepared for inclusion in the prospectus of Nestcon in connection with the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Nestcon on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposal").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are described in Note 2 to the pro forma consolidated statement of financial position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma consolidated financial information has been compiled by the Board of Directors to illustrate the effects of the events or transactions set out in Note 3 of the Pro Forma Consolidated Statement of Financial Position had they been implemented and completed on 31 December 2020 on the Group's financial position as at that date. As part of this process, information about the Group's financial position has been extracted by the Board of Directors from the audited financial information of the Group as at 31 December 2020.

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Board of Directors is responsible for compiling the pro forma consolidated financial information on the basis as described in Note 2 to the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 2 of the pro forma consolidated statement of financial position.

We conducted our engagement in accordance with International Standards on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Accounting Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors have compiled, in all material respects, the pro forma consolidated financial information on the basis set out in Note 2 to the pro forma consolidated statement of financial position.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the events had occurred or the transactions have been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2020, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information have been compiled, in all material respects, on the basis of the applicable involves performing procedures to assess whether the applicable criteria used by the Boards of Directors in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

(i) the related pro forma adjustments give appropriate effect to those criteria; and

(ii) the pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

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Reporting Accountants' Responsibilities (cont'd)

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated financial information of the Group has been compiled, in all material respects, on the basis as set out in Note 2 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose of inclusion in the prospectus of Nestcon in connection with the Proposal. As such this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully,

Ecovis

ECOVIS MALAYSIA PLT	**CHUA KAH CHUN**
AF 001825	No. 02696/09/2021 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

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(LLP0018825)
Chartered Accountants
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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

1.0 Abbreviations

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Nestcon	:	Nestcon Berhad (202001008684 (1365004-W))
Nestcon Builders	:	Nestcon Builders Sdn Bhd. (201301033505 (1063335-M))
Nestcon Infra	:	Nestcon Infra Sdn. Bhd. (200101021201 (556959-W))
Nestcon Group or Group	:	Nestcon and its subsidiaries, collectively
Vendors	:	Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan
ACE Market	:	ACE Market of Bursa Securities
Acquisitions	:	Acquisition of Nestcon Builders and Acquisition of Nestcon Infra, collectively
Acquisition of Nestcon Builders	:	Acquisition by Nestcon of the entire equity interest of Nestcon Builders for a purchase consideration of RM33,264,500 which was wholly satisfied by the issuance of 277,204,167 new Shares at an issue price of RM0.12 per share, which was completed on 18 March 2021
Acquisition of Nestcon Infra	:	Acquisition by Nestcon of the entire equity interest of Nestcon Infra for a purchase consideration of RM24,679,400 which was wholly satisfied by the issuance of 205,661,666 new Shares at an issue price of RM0.12 per share, which was completed on 18 March 2021
Act	:	Companies Act, 2016
Board	:	Board of Directors of Nestcon
Bursa Securities	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
CMSA	:	Capital Markets and Services Act 2007
Director(s)		An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
FYE 31 December	:	Financial year ended 31 December
IFRS	:	International Financial Reporting Standards
IBS	:	Industrialised building system, a construction method that utilises structural components, or a building system that involves pre-fabricated components and on-site installation
Initial Public Offering or IPO	:	Our initial public offering comprising the Public Issue and Offer for Sale
IPO Price		Issue/offer price of RM0.28 per Share under our Public Issue and Offer for Sale
Issue Share(s)		New Share(s) to be issued under the Public Issue
Listing		Listing of and quotation for our entire enlarged share capital of RM103,011,489 comprising 643,822,000 Shares on the ACE Market

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

1.0 Abbreviations (Cont'd)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report: (Cont'd)

Listing Scheme	:	Comprising the Public Issue, Offer for Sale and Listing, collectively
LPD	:	8 May 2021, being the last practicable date for ascertaining certain information contained in this Prospectus
Malaysian Public	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
MFRS	:	Malaysian Financial Reporting Standards
NA	:	Net assets
Offer for Sale	:	Offer for sales of 32,192,000 Offers Shares by our Selling Shareholders at our IPO Price
Offer Share(s)	:	Existing Share(s) to be offered under our Offer for Sale
Prospectus		This Prospectus dated 8 June 2021 in relation to our IPO
PPE	:	Property, plant and equipment
Public Issue	:	Public issue of 160,955,400 Issue Shares at our IPO price
RM or sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission Malaysia
Selling Shareholders		Datuk Ir. Dr. Lim Jee Gin and Ong Yong Chuan who are undertaking the Offer for Sale, collectively
Share(s) or Nestcon Share(s)	:	Ordinary share(s) in Nestcon

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
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2.0 Pro Forma Group and Basis of Preparation

2.1 Basis of Preparation

The pro forma consolidated statement of financial position of Nestcon Group has been prepared by the Board in a manner consistent with the format of the audited financial statements and accounting policies of the Group for the FYE 31 December 2020, in accordance with MFRS, IFRS and the requirements of the Prospectus Guidelines The pro forma consolidated statement of financial position has been prepared solely for illustrative purposes, to show the effects of transactions as disclosed in Note 3.

The pro forma consolidated statement of financial position is consolidated using the merger method as both Nestcon Group are under the common control of the same party both before and after the Acquisitions When the merger method is used, the difference between the cost of investment recorded by Nestcon and the share capital of the subsidiaries are accounted for as reorganisation reserve in the pro forma consolidated statement of financial position.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which took part in the reorganisation exercise, was under common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

The audited financial statements of the Group as at 31 December 2020 were not subject to any audit qualification

The pro forma financial information of the Group comprises the pro forma consolidated statement of financial position as at 31 December 2020, adjusted for the impact of the Acquisitions (Note 2.2.1), IPO (Note 2 2.2) and utilisation of proceeds from the IPO (Note 3.1 3).

The pro forma financial information, because of its nature, may not reflect the actual financial position of the Group Furthermore, such information does not predict the future financial position of the Group.

2.2 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of Nestcon on the ACE Market, the Company intends to undertake the following transactions:

2.2.1 Acquisitions

Nestcon acquired the entire equity interest of Nestcon Builders and Nestcon Infra from Vendors for a total purchase consideration of RM33,264,500 and RM24,679,400 respectively, satisfied by the issuance of new Shares of 277,204,167 and 205,661,666 respectively, at an issue price of RM0.12 per share. The legal structure of Nestcon Group is now formalised via completion of the Acquisitions on 18 March 2021.

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2.0 Pro Forma Group and Basis of Preparation (Cont'd)

2.2 Listing Scheme (Cont'd)

2.2.2 IPO

2.2.2.1 Public Issue

The Public Issue of 160,955,400 new Nestcon Shares, representing approximately 25% of the enlarged issued share capital at IPO Price amounting to RM45,067,512, payable in full on application, upon such terms and conditions as set out in the Prospectus, and will be allocated and allotted in the following manner:

(a) 32,192,000 new Nestcon Shares made available for application by the Malaysian Public;

(b) 32,192,000 new Nestcon Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group;

(c) 80,475,400 new Nestcon Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry; and

(d) 16,096,000 new Nestcon Shares by way of private placement to selected investors.

2.2.2.2 Offer for Sale

The Offer for Sale of 32,192,000 Offer Shares at IPO price amounting to RM9,013,760, payable in full on application, upon such terms and conditions as set out in Prospectus, made available in the following manner:

(a) Private Placement

32,192,000 Offer Shares representing approximately 5% of the enlarged issued share capital will be made available by way of private placement to selected investors.

2.2.2.3 Listing

The admission of Nestcon to the Official List of Bursa Securities, and the entire enlarged issued share capital of RM103,011,489 comprising 643,822,000 Nestcon Shares shall be listed and quoted on the ACE Market upon completion of the Public Issue.

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

3.0 Pro Forma Consolidated Statement of Financial Position as at 31 December 2020

	Audited as at 31 December 2020 (1) RM	Acquisitions RM	Pro Forma I After Acquisitions RM	IPO RM	Pro Forma II After Pro Forma I and IPO RM	Utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Assets							
Non-current assets							
Property, plant and equipment	63,031,553	-	63,031,553	-	63,031,553	13,615,000	76,646,553
Investment properties	3,259,657	-	3,259,657	-	3,259,657	-	3,259,657
Other investments	1,941,188	-	1,941,188	-	1,941,188	-	1,941,188
Deferred tax asets	567,930	-	567,930	-	567,930	-	567,930
Trade receivables	38,167,948	-	38,167,948	-	38,167,948	-	38,167,948
	106,968,276	-	106,968,276	-	106,968,276	13,615,000	120,583,276
Current assets							
Trade receivables	90,493,272	-	90,493,272	-	90,493,272	-	90,493,272
Other receivables, deposits and prepayments	11,543,972	-	11,543,972	-	11,543,972	(159,000)	11,384,972
Contract assets	46,123,662	-	46,123,662	-	46,123,662	-	46,123,662
Other investments	73,907	-	73,907	-	73,907	-	73,907
Fixed deposit with financial institution	28,127,790	-	28,127,790	-	28,127,790	-	28,127,790
Cash and bank balances	59,198,531	-	59,198,531	45,067,512	104,266,043	(33,585,000)	70,681,043
	235,561,134	-	235,561,134	45,067,512	280,628,646	(33,744,000)	246,884,646
Total assets	342,529,410	-	342,529,410	45,067,512	387,596,922	(20,129,000)	367,467,922
Equity and liabilities							
Equity							
Share capital	77	57,943,900	57,943,977	45,067,512	103,011,489	(1,541,850)	101,469,639
Invested equity	10,400,000	(10,400,000)	-	-	-	-	-
Reorganisation reserve	-	(47,543,900)	(47,543,900)	-	(47,543,900)	-	(47,543,900)
Retained earnings	61,844,835	-	61,844,835	-	61,844,835	(2,087,150)	59,757,685
Total equity	72,244,912	-	72,244,912	45,067,512	117,312,424	(3,629,000)	113,683,424

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

3.0 Pro Forma Consolidated Statement of Financial Position as at 31 December 2020 (Cont'd)

	Audited as at 31 December 2020 [1]	Acquisitions	Pro Forma I After Acquisitions	IPO	Pro Forma II After Pro Forma I and IPO	Utilisation of proceeds	Pro Forma III After Pro Forma II and utilisation of proceeds
	RM	RM	RM	RM	RM	RM	RM
Liabilities							
Non-current liabilities							
Trade payables	17,266,094	-	17,266,094	-	17,266,094	-	17,266,094
Bank borrowings	3,460,158	-	3,460,158	-	3,460,158	-	3,460,158
Lease liabilities	12,585,967	-	12,585,967	-	12,585,967	-	12,585,967
Deferred tax liabilities	2,832,646	-	2,832,646	-	2,832,646	-	2,832,646
	36,144,865	-	36,144,865	-	36,144,865	-	36,144,865
Current liabilities							
Trade payables	137,129,594	-	137,129,594	-	137,129,594	-	137,129,594
Other payables and accruals	6,371,898	-	6,371,898	-	6,371,898	-	6,371,898
Contract liabilities	24,917,044	-	24,917,044	-	24,917,044	-	24,917,044
Bank borrowings	47,733,643	-	47,733,643	-	47,733,643	(16,500,000)	31,233,643
Lease liabilities	13,088,804	-	13,088,804	-	13,088,804	-	13,088,804
Income tax payable	4,898,650	-	4,898,650	-	4,898,650	-	4,898,650
	234,139,633	-	234,139,633	-	234,139,633	(16,500,000)	217,639,633
Total liabilities	270,284,498	-	270,284,498	-	270,284,498	(16,500,000)	253,784,498
Total equity and liabilities	342,529,410	-	342,529,410	45,067,512	387,596,922	(20,129,000)	367,467,922
Number of Nestcon Shares in issue	767		482,866,600		643,822,000		643,822,000
NA (RM)	(512,537)[2]		72,244,912		117,312,424		113,683,424
NA per Share (RM)	(668)		0.15		0.18		0.18
Borrowings	76,219,503		76,219,503		76,219,503		59,719,503
Gearing (times) [3]	1.06		1.06		0.65		0.53
Current ratio (times) [4]	1.0		1.0		1.2		1.1

[1] Extracted from Nestcon's audited combined financial statements for the financial year ended 31 December 2020
[2] Extracted from Nestcon's audited financial statements for the financial period ended 31 December 2020
[3] Calculated based on the total borrowings (excluding lease liabilities arising from rental of land and buildings) of our Group divided by the total equity of our Group
[4] Calculated based on total current assets divided by total current liabilities of our Group

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

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3.1 Notes to Pro Forma Consolidated Statement of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporates the effects of Acquisitions as set out in Note 2.2.1.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and IPO as set out in Note 2.2.2.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds from IPO.

The estimated gross proceeds from the IPO of RM45,067,512 will be utilised as follows

	RM	Estimated time frame (from the listing date)
Establish our IBS facility [1]	6,000,000	Within 24 months
Acquire machineries and equipment [1]	6,615,000	Within 24 months
Upgrade software and systems [1]	1,000,000	Within 12 months
Repayment of bank borrowings	16,500,000	Within 3 months
Working capital	10,952,512	Within 12 months
Estimated listing expenses [2]	4,000,000	Within 1 month
	45,067,512	

Notes:
(1) As at LPD, total utilisation of proceeds to establish IBS, acquire machineries and equipment and upgrade software and system of RM13,615,000 are not supportable by any purchase orders, sales and purchase agreements or contractually binding arrangements. However, in accordance with Paragraph 9.18(a)(ii), Division 1, Equity of the Prospectus Guidelines issued by the SC, the Group has illustrated the utilisation of proceeds to establish IBS, acquire machineries and equipment and upgrade software and system totaling RM13,615,000 in the Pro Forma Consolidated Statement of Financial Position.

(2) The estimated listing expenses comprise the following.

	RM
Professional fees	2,511,000
Fees payable to authorities	16,000
Underwriting, placement and brokerage fees	1,290,000
Printing, advertising fees and contingencies	183,000
	4,000,000

From the total estimated listing expenses of RM4,000,000, RM1,541,850 will be set-off against equity and the remaining RM2,458,150 will be charged out to the profit or loss. The Group has recognised RM371,000 of listing expenses in the financial year ended 31 December 2020 to the profit or loss and RM159,000 of listing expenses under prepayment as at 31 December 2020.

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

3.2 Pro Forma Effects on Financial Statement Line Items

3.2.1 Effects on PPE

	RM	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II		63,031,553
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Establish our IBS facility	6,000,000	
- Acquire machineries and equipment	6,615,000	
- Upgrade software and systems	1,000,000	13,615,000
After effects of Pro Forma III		**76,646,553**

3.2.2 Effects on Other Receivables, Deposits and Prepayments

	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II	11,543,972
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Listing expenses offset against equity	(159,000)
After effects of Pro Forma III	11,384,972

3.2.3 Effects on Cash and Bank Balances

	RM	RM
As audited on 31 December 2020 and after effects of Pro Forma I		59,198,531
Pro Forma II:		
IPO		45,067,512
After effects of Pro Forma II		104,266,043
Pro Forma III:		
Utilisation of proceeds from IPO.		
- Establish our IBS facility	(6,000,000)	
- Acquire machineries and equipment	(6,615,000)	
- Upgrade software and systems	(1,000,000)	
- Repayment of bank borrowings	(16,500,000)	
- Payment for estimated listing expenses	(3,470,000)	(33,585,000)
After effects of Pro Forma III		70,681,043

3.2.4 Effects on Share Capital

	No. of shares	RM
As audited on 31 December 2020	767	77
Pro Forma I:		
Acquisitions:		
- Shares issued on Acquisitions	482,865,833	57,943,900
After effects of Pro Forma I	482,866,600	57,943,977
Pro Forma II:		
IPO	160,955,400	45,067,512
After effects of Pro Forma II	643,822,000	103,011,489
Pro Forma III:		
Utilisation of proceeds from IPO:		
- Estimated listing expenses offset against equity	-	(1,541,850)
After effects of Pro Forma III	643,822,000	101,469,639

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
For identification purposes only

NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

3.2 Pro Forma Effects on Financial Statement Line Items (Cont'd)

3.2.5 Effects on Invested Equity

	RM	RM
As audited on 31 December 2020		10,400,000
Pro Forma I:		
Acquisitions		(10,400,000)
After effects of Pro Forma I, II and III		-

3.2.6 Effects on Reorganisation Reserve

	RM	RM
As audited on 31 December 2020		-
Pro Forma I:		
Acquisitions:		
- Shares issued on Acquisitions	57,943,900	
- Elimination of ordinary shares of Nestcon Builders and Nestcon Infra	(10,400,000)	47,543,900
After effects of Pro Forma I, II, III		47,543,900

3.2.7 Effects on Retained Earnings

	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II	61,844,835
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Estimated listing expenses charged to profit or loss	(2,087,150)
After effects of Pro Forma III	59,757,685

3.2.8 Effects on Bank Borrowings (Current and Non-current Liabilities)

	RM
As audited on 31 December 2020 and after effects of Pro Forma I and II	51,193,801
Pro Forma III:	
Utilisation of proceeds from IPO:	
- Repayment of bank borrowings	(16,500,000)
After effects of Pro Forma III	34,693,801

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NESTCON BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

4.0 Approval by the Board of Directors

The pro forma consolidated statement of financial position is approved by the Board of Directors of Nestcon Berhad in accordance with Directors' resolution dated 10 May 2021

Datuk Ir. Dr. Lim Jee Gin Director	Lim Joo Seng Director

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(b) Save for the Pink Form Allocations as disclosed in Section 4.3.3,

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(c) Save for the issuance of our subscribers' shares upon our incorporation, 667 shares issued to Datuk Ir. Dr. Lim and new Shares issued and to be issued for the Acquisitions and Public Issue as disclosed in Sections 6.1, 6.2 and 4.3.1 respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.

(d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

(e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES AND ASSOCIATED COMPANY

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below. As at LPD, we do not have any associated companies.

15.2.1 Nestcon Builders

Nestcon Builders' share capital as at LPD is RM2,400,000.00 comprising 2,400,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
24 September 2013	100	RM100.00/ Subscribers' shares	100.00
16 December 2013	749,900	RM749,900.00/ Cash	750,000.00
10 November 2016	1,650,000	RM1,650,000.00/ Cash	2,400,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Nestcon Builders. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.2 Nestcon Infra

Nestcon Infra's share capital as at LPD is RM8,000,000.00 comprising 8,000,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital RM
22 August 2001	2	RM2/ Subscribers' shares	2.00
19 September 2001	4,999,998	RM4,999,998/ Cash	5,000,000.00
12 June 2019	3,000,000	RM3,000,000/ Otherwise than cash (capitalisation of amount owing to Director)	8,000,000.00

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Nestcon Infra. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

15.3.1 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 8 - Issue of Shares

8.1 Without prejudice to any special rights previously conferred on the holders of any existing Shares or class of Shares but subject to the Act, the Listing Requirements, any other statutory requirements and to this Constitution, Shares in the Company may be issued by the Directors and any such Shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

8.2 No Shares shall be issued at a discount except in compliance with the provisions of the Act.

8.3 The rights attaching to Shares of a class other than ordinary shares shall be expressed in this Constitution.

8.4 No issue of Shares shall be made without the prior approval of the members of the Company in general meeting.

8.5 No Director shall participate in a scheme that involves a new issuance of Shares to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Clause 9 - Rights of preference shareholders

9.1 Subject to the Act, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.

9.2 A holder of preference shares must have a right to vote in each of the following circumstances:

(a) when the dividend or part of the dividend on the share is in arrears for more than 6 months;
(b) on a proposal to reduce the Company's share capital;
(c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
(d) on a proposal that affects the rights attached to the preference shares;
(e) on a proposal to wind up the Company; and
(f) during the winding up of the Company.

9.3 A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports and audited financial statements, and attending general meetings of the Company.

9.4 The Company shall not allot any preference shares or convert any issued Shares into preference shares unless the right of the Members with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other Shares and other classes of preference shares are set out in this Constitution.

Clause 10 - Repayment of preference capital

The repayment of preference share capital other than redeemable preference shares or any alteration of preference shareholders' rights shall only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing obtained from the holders of 3/4 of the preference capital concerned within 2 months of the meeting shall be as valid and effectual as a special resolution carried at the meeting.

Clause 11 - Modification of class rights

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of 3/4 of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall *mutatis mutandis* apply so that the necessary quorum shall be 2 persons at least holding or representing by proxy 1/3 of the issued Shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Clause 12 - Alteration of rights by issuance of new Shares

The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

Clause 13 - Commission on subscription of Shares

The Company may exercise the powers of paying commissions conferred by the Act, provided that the rate or the per centum of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act and the commission shall not exceed the rate of ten per centum (10%) of the price at which the Shares in respect whereof the commission is paid are issued or an amount equivalent thereto. Such commission may be satisfied by the payment of cash or the allotment of fully paid-up Shares or partly paid-up Shares or by a combination of any of the aforesaid methods of payment. The Company may on any issue of Shares pay such brokerage as may be lawful.

Clause 14 - Interest on share capital during construction of works on building

Where any Shares are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of such share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of construction of the works or buildings or the provision of the plant.

Clause 15 - Trust not to be recognised

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or unit of share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share except in an absolute right to the entirety thereof in the registered holder.

Clause 16 - Certificate of title

The certificates of title to Shares, stock, debentures, debenture stock, notes and other Securities shall be issued under the Seal of the Company in such form as the Directors may from time to time prescribe provided that such certificates shall comply with all security features, size and other requirements prescribed by the Exchange and any authorities and all such certificates shall be signed by a Director and shall be countersigned by the Secretary or by a second Director or by some other person appointed by the Directors for this purpose. It shall be sufficient evidence that the Seal has been duly affixed to any such certificate and signed as aforesaid if an autographic or facsimile of the signatures of the aforesaid authorised persons appear thereon.

Clause 17 - Issue of Securities

The Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities accounts of the allottees with such Securities, save and except where they are specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event they shall so similarly be exempted from compliance with this provision. For this purpose, the Company must notify the Depository of the names of the allottees and all such particulars required by the Depository, to enable the Depository to make the appropriate entries in the Securities accounts of such allottees.

Clause 18 - Timing for allotment of securities

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such Securities within the period as may be prescribed by the Exchange and deliver to the Depository the appropriate certificates in such denominations as may be specified by the Depository and registered in the name of the Depository or its nominee company.

Clause 51 - Power to increase capital

Subject to the Act, this Constitution, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, the Company may from time to time, whether all the Shares for the time being authorised shall have been issued or all the Shares for the time being issued shall have been fully called up or not, by ordinary resolution increase its share capital by the creation and issue of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

Clause 52 - Offer of new Shares to the Member

Subject to any direction to the contrary that may be given by the Company in general meeting, any new Shares or other convertible Securities of whatever kind for the time being unissued and not allotted and any new Shares or Securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or Securities offered and limiting a time within which the offer, if not accepted shall be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or Securities offered, the Directors may dispose of those Shares or Securities in such manner as they think most beneficial to the Company. The Directors may also dispose of any new Shares or Securities which (by reason of the ratio which the new Shares or Securities bear to Shares or Securities held by persons entitled to an offer of new Shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

Clause 53 - Ranking of new Shares

Except so far as otherwise provided by the conditions of issue in this Constitution, any share capital raised by the creation of new Shares shall be considered as part of the original share capital of the Company and shall be subject to the same provisions with reference to the allotments, the payment of calls and instalments, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 54 - Power to alter capital

The Company may by ordinary resolution and subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution:

54.1 consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

54.2 subdivide its share capital or any part thereof into Shares of smaller amount, subject nevertheless to the provisions of the Act and so that as between the resulting Shares, 1 or more of such Shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such Shares;

54.3 cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the Shares so cancelled; or

54.4 convert and/or re-classify any class of Shares into any other class of Shares.

Clause 55 - Power to reduce capital

The Company may by special resolution, subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised by the Act and subject to any consent required by law.

15.3.2 Borrowing and voting powers of the directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Clause 96 - Directors' borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 109 - Chairman to have a casting vote

109.1 Subject to this Constitution any question arising at any meeting of the Directors shall be decided by a majority of votes, each Director having 1 vote and a determination by a majority of the Directors shall for all purposes be deemed a determination of the Directors.

109.2 In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote EXCEPT where only 2 of the Directors form a quorum and only such Directors are present at the meeting or where only 2 of the Directors are competent to vote on the question in issue, whereupon the resolution shall be deemed not to have been passed, without affecting any other businesses at the meeting.

Clause 111 - Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 221 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 112 - Power to vote

Without prejudice to the provisions of any other Constitution, the Act and the Listing Requirements, a Director may vote in respect of:

112.1 any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or

112.2 any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

15.3.3 Remuneration of directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 91 - Directors' remuneration

The fees and benefits payable to the Directors of the Company including compensation for loss of employment of a Director or a former Director of the Company shall from time to time be approved by members in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

91.1 salaries payable to executive Director(s) may not include a commission on or percentage of turnover; and

91.2 fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover.

Clause 115 - Remuneration of Managing Director

The remuneration of a managing director or managing directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

15.3.4 Transfer of Shares

The provisions in our Constitution dealing with transfer of Shares are as follows:

Clause 31 - Transfer of Deposited Securities

Subject to the restriction imposed by this Constitution, the Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), the transfer of any listed security or class of listed security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

Clause 32 - Transfer of Shares (Non-Deposited Securities)

32.1 Subject to the provisions of the Act and this Constitution, any Member may transfer all or any of his Shares (which are non-Deposited Securities) by a duly executed and stamped instrument in writing. The instrument shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the Shares transferred until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.

32.2 The instrument of transfer must be left for registration at the Office of the Company together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.

32.3 The Directors may in their absolute discretion through passing of a resolution setting out the reasons of refusal or delay in the registration of any transfer of Shares not being fully paid Shares to a person of whom they do not approve and may also decline to register any transfer of Shares on which the Company has a lien, within 30 days from the receipt of the instrument of transfer. Such notice of the resolution including the reasons thereof shall be sent to the transferor and the transferee within 7 days of the resolution being passed.

32.4 Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of Shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the Shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.

32.5 No Shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

32.6 Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any Shares by the allottee thereof in favour of some other persons.

32.7 All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline or refuse to register shall on demand be returned to the person depositing the same. All powers of attorney granted by members for purpose (interalia) of transferring Shares which may be lodged produced or exhibited to the Company or any of its proper officers shall as between the Company and the grantor of such powers be taken and deemed to continue and remain in full force and effect and the same may be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the Office of the Company.

15.4 GENERAL INFORMATION

(a) Save for the dividends paid to the shareholders of our subsidiaries in FYE 2018 and FYE 2019, purchase consideration paid to Datuk Ir. Dr. Lim and Ong Yong Chuan for the Acquisitions as disclosed in Section 6.2 and Directors' remuneration as disclosed in Section 5.2.4, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Director or substantial shareholder.

(b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.

(d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.5 CONSENTS

(a) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Financial Adviser, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(c) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(a) Constitution;

(b) Audited financial statements of Nestcon Builders and Nestcon Infra for FYE 2017 to FYE 2020;

(c) Accountants' Report as set out in Section 13;

(d) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 14;

(e) IMR Report as set out in Section 8;

(f) Material contracts as set out in Section 6.5; and

(g) Letters of consent as set out in Section 15.5.

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 8 June 2021

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 17 June 2021

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16.2.2 Placement

Types of Application	**Application Method**
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(a) You must be one of the following:

(i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(c) You must submit Applications by using only one of the following methods:

(i) White Application Form; or

(ii) Electronic Share Application; or

(iii) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform STRICTLY to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.28 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 701"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 17 June 2021 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(a) reject Applications which:

(i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(ii) are illegible, incomplete or inaccurate; or

(iii) are accompanied by an improperly drawn up or improper form of remittance; or

(b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

16.8.1 For applications by way of Application Forms

(a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

(d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

16.8.2 For applications by way of Electronic Share Application and Internet Share Application

(a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(b) You may check your account on the 5^{th} Market Day from the balloting date.

(c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

(a) Our IPO Shares allotted to you will be credited into your CDS Account.

(b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.

(d) In accordance with Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.