

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR THE "COMPANY") DATED 19 JUNE 2017 ("ELECTRONIC PROSPECTUS")

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice).

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad ("Bursa Securities")'s website at www.bursamalaysia.com ("Website").

Availability and Location of Paper/ Printed Prospectus

Any applicant who is in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request for a paper/ printed copy of the Prospectus directly from the Company, RHB Investment Bank Berhad ("RHBIB") or Malaysian Issuing House Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus, subject to availability, from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Forms are not available in electronic format.

Jurisdictional Disclaimer

The distribution of the Electronic Prospectus and the sale of the initial public offering ("IPO") shares are subject to Malaysian law. Bursa Securities, RHBIB, the Promoters, the Offerors and the Company named in the Electronic Prospectus take no responsibility for the distribution of the Electronic Prospectus and/ or the sale of the IPO shares outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any IPO shares, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from **10.00 a.m. (Malaysian time)** on **19 June 2017** and will close at **5.00 p.m. (Malaysian time)** on **28 June 2017** or such other later time and date or dates as the Directors of Advancecon, Promoters, Offerors and RHBIB in their absolute discretion may decide.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for information and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users' access to the Website and the use of the contents of the Website and/ or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

ADVANCECON

ADVANCECON HOLDINGS BERHAD

(Company No. 426965-M)
16 & 18, Jalan Pekaka 8/3,
Seksyen 8, Kota Damansara,
47810 Petaling Jaya,
Selangor Darul Ehsan, Malaysia.

Tel : +603 6157 9563
Fax : +603 6157 0469
Email : info@advancecon.com.my

ADVANCECON HOLDINGS BERHAD

PROSPECTUS

P R O S P E C T U S

THIS PROSPECTUS IS DATED 19 JUNE 2017

ADVANCECON ADVANCECON HOLDINGS BERHAD

(Company No. 426965-M)
(Incorporated in Malaysia under the Companies Act, 1965)



INITIAL PUBLIC OFFERING ("IPO") OF 123,000,000 ORDINARY SHARES IN ADVANCECON HOLDINGS BERHAD ("ADVANCECON") ("SHARES") IN CONJUNCTION WITH THE LISTING OF ADVANCECON ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD, COMPRISING:

- [I] A PUBLIC ISSUE OF 90,000,000 NEW SHARES ("ISSUE SHARES") ALLOCATED IN THE FOLLOWING MANNER:
- 30,000,000 ISSUE SHARES FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - 5,000,000 ISSUE SHARES FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES WHO HAVE CONTRIBUTED TO THE SUCCESS OF ADVANCECON AND ITS SUBSIDIARIES;
 - 37,000,000 ISSUE SHARES FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND IDENTIFIED INVESTORS; AND
 - 18,000,000 ISSUE SHARES FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA ("MITI");

AND

- [II] AN OFFER FOR SALE OF 33,000,000 EXISTING SHARES ("OFFER SHARES") FOR APPLICATION BY WAY OF PRIVATE PLACEMENT TO IDENTIFIED BUMIPUTERA INVESTORS APPROVED BY THE MITI.

AT AN IPO PRICE OF RM0.63 PER ISSUE SHARE/ OFFER SHARE, PAYABLE IN FULL UPON APPLICATION.

PRINCIPAL ADVISER, UNDERWRITER AND PLACEMENT AGENT

RHB InvestmentBank

RHB INVESTMENT BANK BERHAD
(COMPANY NO. 19663-P)
(A PARTICIPATING ORGANISATION OF
BURSA MALAYSIA SECURITIES BERHAD)

FINANCIAL ADVISER

MainStreet

MAINSTREET ADVISERS SDN BHD
(COMPANY NO. 790320-P)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER, SEE "RISK FACTORS" SET OUT IN SECTION 4 OF THIS PROSPECTUS.

RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. 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, the omission of which would make any statement in this Prospectus false or misleading.

RHB Investment Bank Berhad, being our Principal Adviser, Underwriter and Placement Agent 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.

STATEMENTS OF DISCLAIMER

The Securities Commission Malaysia ("SC") has on 24 November 2016 and 15 February 2017, approved our IPO and a copy of this Prospectus has been registered with the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends the IPO or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Approval has been obtained from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for our securities. Our admission to the official list of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our securities. Bursa Securities is not liable for any non-disclosure in this Prospectus by us and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

Our Shares are classified as Shariah-compliant by the Shariah Advisory Council of the SC based on the audited financial information for the FYE 31 December 2015. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the Shariah Advisory Council of the SC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND THIS INVESTMENT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

We have also lodged a copy of this Prospectus, together with the application form, with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("CMSA").

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning the issue for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

This Prospectus is not intended to be issued, circulated or distributed, and our IPO will not be made in any country or jurisdiction other than Malaysia or to persons who are subject to the laws of any country or jurisdiction other than the laws of Malaysia. Our IPO to which this Prospectus relates is only available to persons receiving this Prospectus electronically or otherwise within Malaysia. We and our Principal Adviser have not authorised and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer or subscription or purchase or invitation to subscribe or purchase, any securities under our IPO in any jurisdiction in which such offer or invitation in any jurisdiction or in any circumstances in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our IPO Shares (as defined herein) in certain jurisdiction may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not make or be bound to make any enquiry before any acceptance in respect of our IPO as to whether you have a registered address in Malaysia. We will not accept any liability whether or not any enquiry or investigation is made in connection with it. It is your sole responsibility to consult your legal and/ or other professional advisers as to whether our IPO would result in the contravention of any laws or jurisdictions of Malaysia.

Further, it shall also be your sole responsibility to ensure that your application for our IPO Shares would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted this IPO in Malaysia and will at all applicable times be subjected only to the laws of Malaysia connected to it.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our IPO Shares are issued in Malaysia solely based on the contents of this Prospectus. We and our Principal Adviser have not authorised anyone to provide you with information, which is not contained in this Prospectus.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities website at www.bursamalaysia.com.

The contents of the Electronic Prospectus are as per the contents of the copy of this Prospectus registered with the SC. A copy of this Prospectus so registered is available from the websites of RHB Bank Berhad at www.rhbgroup.com, Affin Bank Berhad at www.affinOnline.com, CIMB Bank Berhad at www.cimbclicks.com.my, CIMB Investment Bank Berhad at www.eipocimb.com, Malayan Banking Berhad at www.maybank2u.com.my and Public Bank Berhad at www.pbebank.com.

You are advised that the internet is not a fully secure medium and that your Internet Share Application (as defined herein) is subject to the risks of problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions. If you doubt the validity or the integrity of an Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/ printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the contents of the paper/ printed copy of this Prospectus for any reason whatsoever, the contents of the paper/ printed copy of this Prospectus which are identical to the copy of this Prospectus registered with the SC shall prevail. The Electronic Prospectus submitted to the SC and Bursa Securities is the same as the registered paper printed copy.

In relation to any reference in this Prospectus to third party internet sites (referred to as "Third Party Internet Sites"), whether by way of hyperlinks or by way of description of the Third Party Internet Sites, you acknowledge and agree that:-

- I. We and our Principal Adviser do not endorse and are not affiliated in any way to the Third Party Internet Sites and are not responsible for the availability of, or the content or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- II. We and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- III. Any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the websites of the Internet Participating Financial Institutions, you are advised that:-

- I. The Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web servers of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions are not responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or obtained from the web servers of the Internet Participating Financial Institutions and subsequently, communicated or disseminated in any manner to you or other parties.
- II. While all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium.

The Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any faults with web browsers or other relevant software, any faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the websites of the Internet Participating Financial Institutions, and/ or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:-

Events	Tentative date
Issuance of this Prospectus	19 June 2017
Opening of applications for the IPO Shares	19 June 2017
Closing of applications for the IPO Shares	28 June 2017
Balloting of applications for the IPO Shares	30 June 2017
Allotment and transfer of the IPO Shares to successful applicants	6 July 2017
Listing on the Main Market of Bursa Securities	10 July 2017

THE APPLICATIONS FOR THE IPO SHARES WILL CLOSE AT THE DATE STATED ABOVE OR SUCH LATER DATE AS OUR DIRECTORS, PROMOTERS AND OFFERORS TOGETHER WITH OUR UNDERWRITER IN THEIR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE UPON CONSULTATION WITH THE SC.

IN THE EVENT THE CLOSING DATE OF APPLICATIONS FOR THE IPO SHARES IS EXTENDED, THE DATES FOR THE BALLOTING OF APPLICATIONS FOR THE IPO SHARES, ALLOTMENT AND TRANSFER OF THE IPO SHARES TO SUCCESSFUL APPLICANTS AND OUR LISTING MAY BE EXTENDED ACCORDINGLY. ANY EXTENSION WILL BE ANNOUNCED IN WIDELY CIRCULATED BAHASA MALAYSIA AND ENGLISH DAILY NEWSPAPERS WITHIN MALAYSIA.

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DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the definitions are defined otherwise or the context requires otherwise:-

"Act"	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof. For clarification, the Companies Act, 2016 has come into force on 31 January 2017
"ADA"	:	Authorised Depository Agent
"Advancecon" or the "Company"	:	Advancecon Holdings Berhad (426965-M)
"Advancecon Group" or the "Group"	:	Advancecon and its Subsidiaries, collectively
"Advancecon Infra"	:	Advancecon Infra Sdn Bhd (206362-K), a wholly-owned subsidiary of Advancecon
"Advancecon Machinery"	:	Advancecon Machinery Sdn Bhd (315552-U), a wholly-owned subsidiary of Advancecon
"Advancecon Properties"	:	Advancecon Properties Sdn Bhd (1024903-V), a wholly-owned subsidiary of Advancecon
"Advancecon Rock"	:	Advancecon Rock Sdn Bhd (614298-A), a wholly-owned subsidiary of Advancecon
"Advancecon Share(s)" or "Share(s)"	:	Ordinary share(s) in Advancecon
"Advancecon Trading"	:	Advancecon Trading Sdn Bhd (594538-P), a wholly-owned subsidiary of Advancecon
"AGM"	:	Annual General Meeting
"Application(s)"	:	The application(s) for the IPO Shares by way of Application Form, Electronic Share Application and/ or Internet Share Application
"Application Form(s)"	:	Printed application form(s) for application of the IPO Shares
"ASB"	:	Advancecon Sdn Bhd (256086-P) (now known as Prize Ventures Sdn Bhd)
"ATM"	:	Automated Teller Machine
"Authorised Financial Institution(s)"	:	The authorised financial institution(s) participating in the Internet Share Application with respect to payments for the IPO Shares
"Board"	:	Our board of Directors
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"CAGR"	:	Compound annual growth rate

DEFINITIONS (CONT'D)

"CCC"	:	Certificate of Completion and Compliance
"CDS"	:	Central Depository System
"CDS Account"	:	Securities account(s) established by Bursa Depository for a depositor pursuant to the SICDA and the Rules for the recording of deposits of securities and dealings in such securities by the depositor
"CF"	:	Certificate of Fitness for Occupation
"CIDB"	:	The Construction Industry Development Board of Malaysia
"CPC"	:	Certificate of Practical Completion
"CMSA"	:	Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
"Dato' Phum"	:	Dato' Phum Ang Kia being the promoter, substantial shareholder, Director and key management of our Company
"Director(s)"	:	The Director(s) of our Company and shall have the meaning given in Section 2 of the Companies Act, 2016
"DOE"	:	Department of Environment, Ministry of Natural Resources & Environment of Malaysia
"DOSH"	:	Department of Occupational Safety and Health, Ministry of Human Resources of Malaysia
"Dream Strider"	:	Dream Strider Sdn Bhd (340107-X)
"EBITDA"	:	Earnings before interest, taxation, depreciation and amortisation
"Eco World"	:	Eco World Development Group Berhad (17777-V)
"Eco World group"	:	Eco World and its subsidiaries, collectively
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet, and/ or an electronic storage medium, including but not limited to CD-ROMs
"Electronic Application(s)"	Share :	Application(s) for the IPO Shares through a Participating Financial Institution's ATM
"EPS"	:	Earnings per Share
"Equity Guidelines"	:	Equity Guidelines issued by the SC, as amended from time to time and any re-enactment thereof
"Excelgenic"	:	Excelgenic Sdn Bhd (579889-A)
"Financial Adviser" or "MainStreet"	:	MainStreet Advisers Sdn Bhd (790320-P)
"ft ² "	:	Square feet

DEFINITIONS (CONT'D)

"FYE"	:	Financial year ended
"Government"	:	Government of Malaysia
"GST"	:	Goods and Services Tax
"HSE"	:	Health, safety and environment
"Industrial Land"	:	A parcel of leasehold land located at Lot 8 (PT65651), Jalan Sultan Alauddin 4, Kawasan Perindustrian Fasa 4, Bandar Sultan Suleiman, Pelabuhan Klang, Selangor Darul Ehsan with the intended purpose as in-house workshop
"IEC"	:	Independent European Certificate (M) Sdn Bhd (602125-T)
"Independent Market Researcher" or "Protégé Associates"	:	Protégé Associates Sdn Bhd (675767-H)
"Inspirasi Hebat"	:	Inspirasi Hebat Sdn Bhd (382993-V), a wholly-owned subsidiary of Advancecon
"Internet Participating Financial Institution(s)"	:	Participating financial institution(s) for the Internet Share Application
"Internet Share Application"	:	Application for the IPO Shares through an online share application service provided by Internet Participating Financial Institutions
"IPO"	:	Initial public offering comprising the Public Issue and the Offer for Sale, collectively
"IPO Price"	:	RM0.63 for each Issue Share and Offer Share, where applicable
"IPO Share(s)"	:	The Issue Share(s) and the Offer Share(s), collectively
"Issue Share(s)"	:	All or part of the 90,000,000 new Shares to be issued pursuant to the Public Issue
"Issuing House" or "MIH"	:	Malaysian Issuing House Sdn Bhd (258345-X)
"Listing"	:	Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Advancecon of RM87,907,900 comprising 402,079,000 Shares on the Main Market of Bursa Securities
"Listing Requirements"	:	The Main Market Listing Requirements of Bursa Securities, as amended from time to time and any re-enactment thereof
"Listing Scheme"	:	The Public Issue, the Offer for Sale and the Listing, collectively
"LPD"	:	19 May 2017, being the latest practicable date prior to the issuance of this Prospectus
"LPIP Act 1994"	:	Lembaga Pembangunan Industri Pembinaan Malaysia Act, 1994 (Act 520)

DEFINITIONS (CONT'D)

"Malaysian Public"	:	Citizens of Malaysia, permanent residents of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
"Market Day(s)"	:	Any day between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
"Maxwell Capital"	:	Maxwell Capital Sdn Bhd (947091-X)
"m"	:	Metre
"m²"	:	Square metre
"m³"	:	Cubic metre
"mm"	:	Millimetre
"MIA"	:	Malaysian Institute of Accountants
"MITI"	:	Ministry of International Trade and Industry of Malaysia
"MOF"	:	Ministry of Finance of Malaysia
"NA"	:	Net assets
"NBV"	:	Net book value
"NCT"	:	NCT United Development Sdn Bhd (706212-T)
"NTA"	:	Net tangible assets
"NWSC"	:	National Water Services Commission of Malaysia
"OEM"	:	Original Equipment Manufacturer
"Offer for Sale"	:	Offer for sale by the Offerors of 33,000,000 existing Shares representing approximately 8.2% of the enlarged issued share capital of Advancecon, at the IPO Price
"Offer Share(s)"	:	33,000,000 existing Shares to be offered by the Offerors pursuant to the Offer for Sale
"Offerors"	:	Dato' Phum, Lim Swee Chai, Pham Soon Kok, Ir. Yeo An Thai, Tung Kai Hung, Lim Kok Tiong, Puah Kian Yiew, Lam Wing King, Chan Keng Kong and Yap Goon Ying, collectively
"Official List"	:	Official list of Bursa Securities
"Participating Institution(s)"	Financial :	Participating financial institution(s) for the Electronic Share Application
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"Phum Brothers"	:	Phum Oua, Phum Son Kwa and Pham Soon Kok, collectively

DEFINITIONS (CONT'D)

"PKNS"	:	Perbadanan Kemajuan Negeri Selangor (Selangor State Development Corporation)
"Placement Agent" or "Principal Adviser" or "Underwriter" or "RHBIB"	:	RHB Investment Bank Berhad (19663-P)
"Placement Agreement"	:	Placement agreement dated 14 March 2017 entered into between Advancecon and RHBIB for the placement of 88,000,000 IPO Shares under our IPO
"Promoter(s)"	:	Dato' Phum, Lim Swee Chai, Pham Soon Kok, Ir. Yeo An Thai, Tung Kai Hung, Lim Kok Tiong, Puah Kian Yiew, Lam Wing King, Chan Keng Kong and Yap Goon Ying, collectively
"Public Issue"	:	Public issue of 90,000,000 new Shares representing approximately 22.4% of the enlarged issued share capital of Advancecon, at the IPO Price
"QMS"	:	Quality Management System
"R&D"	:	Research and development
"REIT"	:	Real estate investment trust
"Restructuring Exercise"	:	The restructuring exercise implemented in connection with our IPO, details of which are set out in Section 5.5 of this Prospectus
"Reporting Accountants" or "Crowe Horwath"	:	Messrs Crowe Horwath (AF1018)
"RM" and "Sen"	:	Ringgit Malaysia and sen, respectively
"ROC"	:	Registrar of Companies of Malaysia
"Rules"	:	Rules of Bursa Depository
"SAC"	:	Shariah Advisory Council of the SC
"SC"	:	Securities Commission Malaysia
"SICDA"	:	Securities Industry (Central Depositories) Act 1991
"SK-II Tipper Truck Services"	:	SK-II Tipper Truck Services Sdn Bhd (444538-D), a wholly-owned subsidiary of Advancecon
"SOFO"	:	Small office/ flexible office
"SOHO"	:	Small office/ home office
"SOVO"	:	Small office/ virtual office
"S P Setia"	:	S P Setia Berhad (19698-X)
"S P Setia group"	:	S P Setia and its subsidiaries, collectively

DEFINITIONS (CONT'D)

"SPKK"	:	Sijil Perolehan Kerja Kerajaan, Malaysia (Certificate of Malaysian Government works procurement)
"Subsidiaries"	:	Subsidiaries of our Company as defined under Section 4 of the Companies Act, 2016 which include Advancecon Infra, Inspirasi Hebat, Advancecon Machinery, SK-II Tipper Truck Services, Advancecon Properties, Advancecon Rock and Advancecon Trading, collectively
"Supreme Revenue"	:	Supreme Revenue Sdn Bhd (911166-A)
"Tropicana"	:	Tropicana Corporation Berhad (47908-K)
"Tropicana group"	:	Tropicana and its subsidiaries, collectively
"Underwriting Agreement"	:	Underwriting agreement dated 23 March 2017 entered into between Advancecon and RHBIB for the underwriting of up to 35,000,000 Issue Shares under the Public Issue

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GLOSSARY OF TECHNICAL TERMS

This glossary contains explanation of certain terms used in this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of these terms.

"°C"	:	Celsius, a unit measurement of temperature
"CBR test"	:	California Bearing Ratio test, a penetration test meant for the evaluation of subgrade strength of roads and pavements
"Cast in-situ"	:	Generally refers to construction material that is to be assembled or cast on site rather than prefabricated in a factory
"Construction drawing(s)"	:	The drawings referred to in the construction contract including such drawings which have been prepared by the contractor and accepted by the Superintending Officer and such other drawings as may from time to time be issued or accepted in writing by the Superintending Officer
"Crushing"	:	The act of reducing size of blasted rock materials into smaller rock materials
"dB(A)"	:	Decibel (A-weighted filter), a unit measurement of sound level and is typically used to measure environmental noise levels such as noise generated by industry, construction and road traffic
"Earthworks"	:	Works involving excavations, embankments and all associated items of works such as drainage, foundations as well as stabilisation and reinforcement. Earthwork construction typically involves the excavation of parts of the earth's surface particularly soil and rock, and the transportation of the resulting earth to another location. In addition, it may also involve the compaction of the resulting earth or piece of land into a desired shape
"Excavation"	:	Works involving excavating the earth and transporting them within the site to make up level or to an off-site dumping ground
"Fill material"	:	Fill material usually consist of natural material, processed material or demolition material, which is capable of being compacted in accordance with the specified requirements for the formation of stable areas
"Gantt chart"	:	A Gantt chart is a visual representation of a project schedule. A type of bar chart, a Gantt chart shows the start and finish dates of the different required elements of a project. Henry Laurence Gantt, an American mechanical engineer, is recognised for developing the Gantt chart
"Green Card"	:	An integrated program by CIDB that involves the registration and accreditation of construction personnel who enters construction sites
"Gross Floor Area"	:	Total area of floor space within a building, as measured between the external sides of walls or, in the case of party walls, between the centres of such walls
"Hp"	:	Horsepower, a unit measurement of power and is used to measure the power of engines

GLOSSARY OF TECHNICAL TERMS (CONT'D)

"ISO"	:	International Organisation for Standardisation, is the world's largest developer of voluntary International Standards. International Standards give state of the art specifications for products, services and good practice, helping to make industry more efficient and effective. Developed through global consensus, they help to break down barriers to international trade
"ISO 9001:2008"	:	ISO 9001:2008 sets out the requirements for a quality management system where an organisation needs to demonstrate its ability to consistently provide product that meets customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements
"ISO 14001:2015"	:	ISO 14001:2015 sets out the requirements for an environmental management system that an organization can use to enhance its environmental performance. ISO 14001:2015 is intended for use by an organization seeking to manage its environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. Consistent with the organization's environmental policy, the intended outcomes of an environmental management system include enhancement of environmental performance, fulfilment of compliance obligations and achievement of environmental objectives
"LAD"	:	Liquidated and ascertained damages are damages due to customer calculated at a rate as stated in the contract agreement when a construction contractor fails to deliver the completed work within a period stipulated in the said contract agreement
"Pile"	:	Long and slender columns placed below ground to function as foundation to support above ground buildings and other structures. The pile's function is to support the above ground structure by transferring its load down to the rock formation or hard layer of material
"Project site"	:	The location where our construction project is situated
"Retaining wall"	:	A type of foundation structure used to retain soil, rock or other materials in a vertical condition. They provide a lateral support to vertical slopes of soil that would otherwise collapse
"Retention sum"	:	An amount of progress billings which is not paid until the conditions specified in the agreement for the payment of such amounts have been met or until defects have been rectified
"Runoff"	:	Water from rain that flows over the surface of the ground into streams
"Shotfirer"	:	A shotfirer is a qualified individual who generally inspects blasting sites and activities as well as assembles, positions and detonates explosives at a blasting site to dislodge rocks
"Substructure"	:	Substructure refers to the bottom part of a contiguous structure that is below a baseline. For bridges, the substructure includes everything below the span such as abutments, piers, piles and other support structure

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- "Superintending Officer"** : A superintending officer is normally appointed by the employer to administer the terms and conditions of the construction contract between the employer and the contractor, whereby he generally acts as the employer's representative to certify, supervise and issue work instructions in accordance with the provision of the construction contract
- "Superstructure"** : Superstructure refers to the top part of a contiguous structure that is above a baseline. For bridges, the superstructure includes the span that carries the load and everything on and above the span

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PRESENTATION OF INFORMATION

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include natural persons, firms, companies, bodies corporate and corporations.

References in this Prospectus to any provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force. References to a time of a day in this Prospectus shall be a reference to Malaysian time, unless otherwise stated.

References to "our Company" or "the Company" or "Advancecon" in this Prospectus are made to Advancecon Holdings Berhad (Company No. 426965-M), references to "Our Group" or "the Group" or "Advancecon Group" are made to our Company and our Subsidiaries and references to "we" or "us" or "our" or "ourselves" are made to our Company, and where the context requires, our Company and our Subsidiaries. Unless the context otherwise requires, references to "Management" are to our Directors and key management personnel as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originated from us. In particular, certain information in this Prospectus is extracted or derived from report(s) provided by Protégé Associates for inclusion in this Prospectus. We have appointed Protégé Associates to provide an independent market and industry review relating to an overview of the economy and industry in which we operate in. In compiling their data for the review, Protégé Associates relied on its research methodology, industry sources, published materials, its private databanks and direct contacts within the industry. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data. Similarly, any third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved. You should not place undue reliance on the statistical data and third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to our website does not form part of this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words "believe", "expect", "consider", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:-

- i. Demand for our services;
- ii. Our business strategies;
- iii. Our Management's plans and objectives for future operations;
- iv. Our financial position; and
- v. Our future earnings, cash flows and liquidity.

Our actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors beyond our control, including, without limitation:-

- i. The general economic and business or environment in Malaysia; and
- ii. Future government policy, legislation and regulatory changes that will affect us or the industry in which we operate.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 4 of this Prospectus on "Risk factors", and Section 11.3.1 of this Prospectus on Management's discussion and analysis for "Factors and trends affecting future financial condition and results". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

Save as required under Section 238(1) of the CMSA and Paragraph 1.02, Division 6 of the Prospectus Guidelines (Supplementary and Replacement Prospectus), we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/ Directorship	Address	Profession/ Designation	Nationality/ Gender
Yeoh Chong Keat <i>(Chairman/ Independent Non-Executive Director)</i>	53, Lengkok Aminuddin Baki Taman Tun Dr Ismail 60000 Kuala Lumpur	Company Director	Malaysian/ Male
Dato' Phum <i>(Non-Independent Executive Director)</i>	8, Jalan BRP 5/8 Bukit Rahman Putra 47000 Sungai Buloh Selangor Darul Ehsan	Group Chief Executive Officer	Malaysian/ Male
Lim Swee Chai <i>(Non-Independent Executive Director)</i>	40, Lorong Permai Dua Taman Seri Gombak 68100 Batu Caves Selangor Darul Ehsan	Deputy Group Chief Executive Officer	Malaysian/ Male
Ir. Yeo An Thai <i>(Non-Independent Executive Director)</i>	71, Jalan SS25/39 Taman Mayang 47301 Petaling Jaya Selangor Darul Ehsan	Chief Operating Officer	Malaysian/ Male
Tung Kai Hung <i>(Non-Independent Executive Director)</i>	52, Jalan Ara SD 7/1 Bandar Sri Damansara 52200 Kuala Lumpur	General Manager of Contracts	Malaysian/ Male
Mohd Zaky bin Othman <i>(Independent Non- Executive Director)</i>	A3-15-08, Ampang Boulevard Jalan Air Bukit Taman Ampang Utama 68000 Ampang Selangor Darul Ehsan	Company Director	Malaysian/ Male
Fathi Ridzuan bin Ahmad Fauzi <i>(Independent Non- Executive Director)</i>	B-7-3, Almaspuri Condominium Jalan Kiara, Mont Kiara 50480 Kuala Lumpur	Company Director	Malaysian/ Male

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1. CORPORATE DIRECTORY (CONT'D)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARIES

: Tan Tong Lang (MAICSA 7045482)
Chong Voon Wah (MAICSA 7055003)

Suite 10.03, Level 10 The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel : 03-2279 3080
Fax : 03-2279 3090

REGISTERED OFFICE

: Suite 10.03, Level 10 The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur

Tel : 03-2279 3080
Fax : 03-2279 3090

1. CORPORATE DIRECTORY (CONT'D)

- HEAD OFFICE** : No. 16 & 18, Jalan Pekaka 8/3
Seksyen 8, Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
- Tel : 03-6157 9563
Fax : 03-6157 0469
Website: www.advancecon.com.my
E-mail: info@advancecon.com.my
- AUDITORS AND REPORTING ACCOUNTANTS** : Messrs Crowe Horwath (AF1018)
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
- Tel : 03-2788 9999
Fax : 03-2788 9998
Website: www.crowehorwath.com.my
- DUE DILIGENCE SOLICITORS** : Azman Davidson & Co
Advocates & Solicitors
Suite 13.03, 13th Floor
Menara Tan & Tan
207, Jalan Tun Razak
50400 Kuala Lumpur
- Tel : 03-2164 0200
Fax : 03-2164 0280
Website: www.azmandavidson.com.my
- PRINCIPAL BANKERS** : Affin Bank Berhad (25046-T)
10-12, Jalan Radin Tengah
Bandar Baru Seri Petaling
57000 Kuala Lumpur
- Tel : 03-9058 4626/ 6334
Fax : 03-9057 0220
Website: www.affinbank.com.my
- Alliance Bank Malaysia Berhad (88103-W)
29th Floor, Menara Multi-Purpose
Capital Square, 8 Jalan Munshi Abdullah
50100 Kuala Lumpur
- Tel : 03-2604 3333
Fax : 03-2691 2736
Website: www.alliancebank.com.my
- Al Rajhi Banking & Investment Corporation (M)
Berhad (719057-X)
Ground Floor, East Block Wisma Selangor Dredging
142-B Jalan Ampang
50450 Kuala Lumpur
- Tel : 03-2301 7000
Fax : 03-2332 6065
Website: www.alrajhibank.com.my

1. CORPORATE DIRECTORY (CONT'D)

HSBC Bank Malaysia Bhd (127776-V)
No. 2, Leboh Ampang
50100 Kuala Lumpur

Tel : 03-2075 3000
Fax : 03-2031 0942
Website: www.hsbc.com.my

Hong Leong Bank Berhad (97141-X)
PFS - Klang Valley Mortgage Centre
Level 3, Tower A, PJ City Development
15A, Jalan 219, Section 51A
46100 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7626 8899
Fax : 03-7877 0205
Website: www.hlb.com.my

United Overseas Bank (Malaysia) Berhad (271809-K)
Level 7, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur

Tel : 03-2692 7722
Fax : 03-2691 2160
Website: www.uob.com.my

Public Bank Berhad (6463-H)
12, Jalan Sungei Besi
57100 Kuala Lumpur

Tel : 03-9221 4771
Fax : 03-9221 2968
Website: www.pbebank.com

**INDEPENDENT MARKET
RESEARCHER**

: Protégé Associates Sdn Bhd (675767-H)
Suite C-06-06, Plaza Mont' Kiara
2 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur

Tel : 03-6201 9301
Fax : 03-6201 7302
Website: www.protege.com.my

**PRINCIPAL ADVISER,
UNDERWRITER AND
PLACEMENT AGENT**

: RHB Investment Bank Berhad (19663-P)
Level 10, Tower One, RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur

Tel : 03-9287 3888
Fax : 03-9287 2233/ 3355
Website: www.rhbgroup.com

1. CORPORATE DIRECTORY (CONT'D)

- FINANCIAL ADVISER** : MainStreet Advisers Sdn Bhd (790320-P)
25-7 Block B, Jaya One
72A Jalan Universiti
46200 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7968 3398
Fax : 03-7954 2299
Website: www.mainstreet.com.my
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7841 8289
Fax : 03-7841 8150
- SHARE REGISTRAR** : Symphony Share Registrars Sdn Bhd (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel : 03-7849 0777
Fax : 03-7841 8151 / 8152
Website: www.symphony.com.my
- LISTING SOUGHT** : Main Market of Bursa Securities
- SHARIAH STATUS** : Approved by the SAC of the SC

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2. INFORMATION SUMMARY

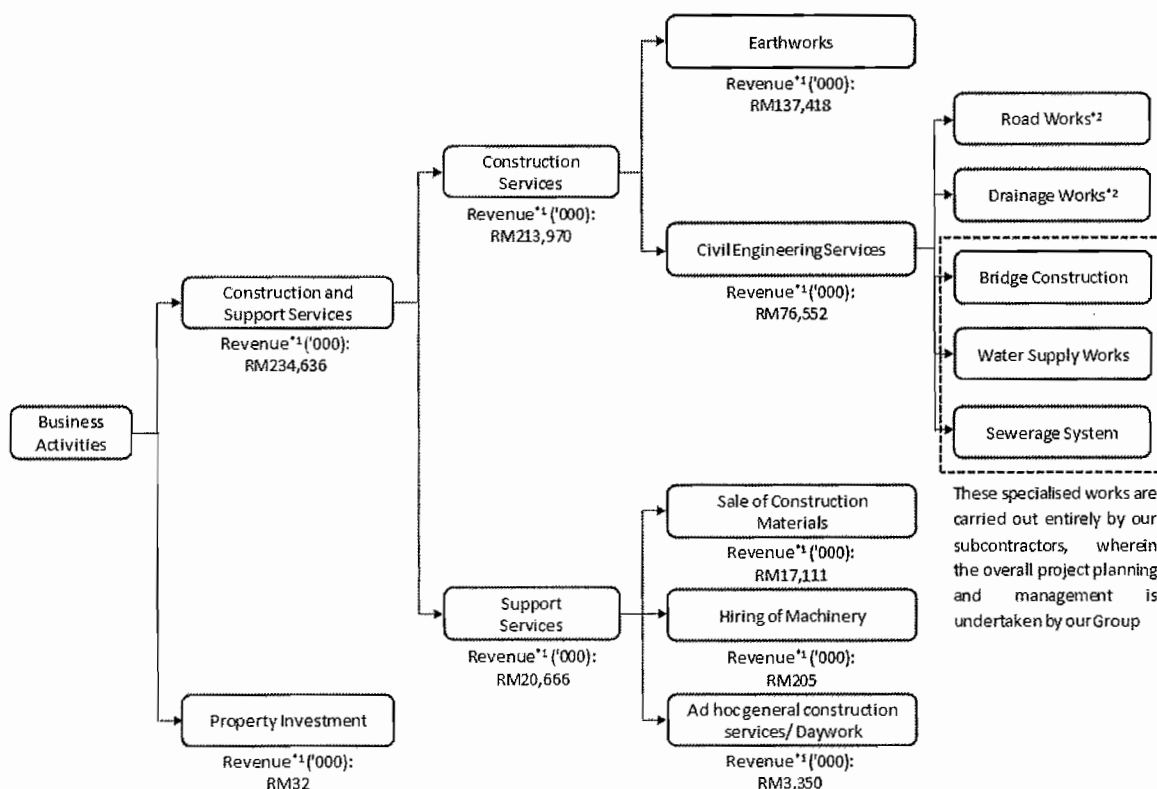
THIS SECTION SUMMARISES THE SALIENT INFORMATION ABOUT OUR GROUP AND OUR IPO AND IS EXTRACTED FROM THE FULL TEXT OF THIS PROSPECTUS. THEREFORE, IT MAY NOT CONTAIN ALL OF THE INFORMATION WHICH MAY BE IMPORTANT TO YOU. YOU SHOULD CAREFULLY READ AND UNDERSTAND THIS SECTION TOGETHER WITH THE ENTIRE PROSPECTUS PRIOR TO DECIDING WHETHER TO INVEST IN OUR COMPANY'S SHARES. YOU ARE ADVISED TO READ THE RISK FACTORS IN SECTION 4 OF THIS PROSPECTUS FOR AN UNDERSTANDING OF THE RISKS ASSOCIATED WITH THE INVESTMENT IN OUR COMPANY.

2.1 Background information on our Group

Our Company was incorporated in Malaysia on 9 April 1997 under the Act as a private limited company under the name of Advance Earthworks Sdn Bhd and subsequently changed our Company's name to Advancecon Holdings Sdn Bhd on 23 September 2010. On 23 August 2016, we were converted into a public limited company and assumed our present name.

We are primarily involved in the provision of earthworks and civil engineering services, which is a sub-sector of the construction industry in Malaysia. We are also involved in the provision of support services such as sale of construction materials, hiring of machinery and ad hoc general construction services/ daywork. In April 2013, we commenced a new business segment, namely property investment which mainly arose due to our working relationship with certain of our clients, who are property developers, whereby we are offered to acquire properties at discounted prices.

A summary of our Group's operational structure is illustrated as below:-



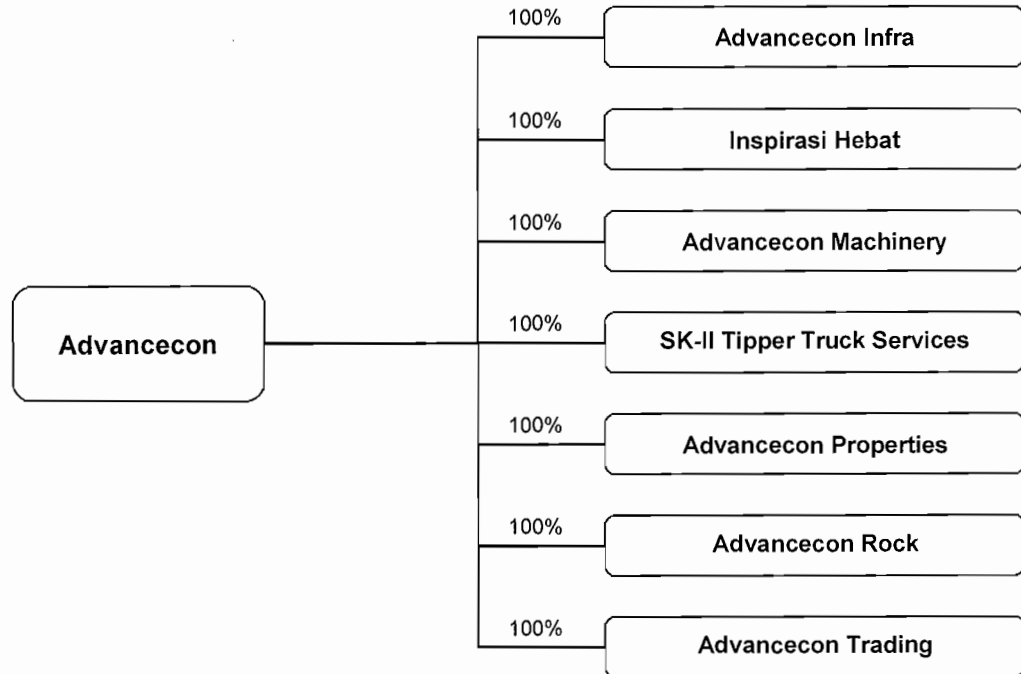
Notes:-

*1 Based on the latest audited consolidated financial statements of our Group for the FYE 31 December 2016

*2 Only certain portions of these specialised works are carried out by our subcontractors

2. INFORMATION SUMMARY (CONT'D)

The present corporate structure of our Group is set out below:-



The information of our Subsidiaries and their respective principal activities are set out below:-

Subsidiaries	Principal activities
Advancecon Infra	Engaged in the business of providing earthworks and civil engineering services and sale of construction materials
Inspirasi Hebat	Engaged in the business of providing on-site rock crushing services
Advancecon Machinery	Engaged in the business of providing earth-moving machinery for hire
SK-II Tipper Truck Services	Engaged in the business of providing tipper trucks for hire
Advancecon Properties	Engaged in the business of property investment
Advancecon Rock	Dormant since January 2015 ^{*1}
Advancecon Trading	Dormant since November 2015 ^{*2}

Notes:-

^{*1} previously engaged in the business of providing rock blasting services. The Board will commence voluntary winding up proceedings in June 2017

^{*2} previously engaged in the business of sale of construction materials. The Board will commence voluntary winding up proceedings in June 2017

Further details of our history and business overview are set out in Sections 5 and 6 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.2 Ownership and management

Our Promoters, substantial shareholders, Directors and key management are set out below:-

2.2.1 Promoters

Name	Designation
Dato' Phum	Group Chief Executive Officer
Lim Swee Chai	Deputy Group Chief Executive Officer
Pham Soon Kok ^{*1}	Substantial Shareholder
Ir. Yeo An Thai	Chief Operating Officer
Tung Kai Hung	General Manager of Contracts
Lim Kok Tiong	General Manager of Project Management
Puah Kian Yiew	General Manager of Production and Operation
Lam Wing King	Assistant General Manager of Workshop
Chan Keng Kong	Senior Manager of Production and Operation
Yap Goon Ying	Manager of Logistic

Note:-

^{*1} Pham Soon Kok who is the brother to Dato' Phum, is not an employee of our Group and does not hold any executive position within our Group

2.2.2 Substantial shareholders

Name	Designation
Dato' Phum	Group Chief Executive Officer
Lim Swee Chai	Deputy Group Chief Executive Officer
Pham Soon Kok ^{*1}	Substantial Shareholder
Ir. Yeo An Thai	Chief Operating Officer
Tung Kai Hung	General Manager of Contracts
Lim Kok Tiong	General Manager of Project Management
Puah Kian Yiew	General Manager of Production and Operation
Lam Wing King	Assistant General Manager of Workshop
Chan Keng Kong	Senior Manager of Production and Operation
Yap Goon Ying	Manager of Logistic

Note:-

^{*1} Pham Soon Kok who is the brother to Dato' Phum, is not an employee of our Group and does not hold any executive position within our Group

2. INFORMATION SUMMARY (CONT'D)

2.2.3 Directors

Name	Designation
Yeoh Chong Keat	Chairman/ Independent Non-Executive Director
Dato' Phum	Group Chief Executive Officer/ Non-Independent Executive Director
Lim Swee Chai	Deputy Group Chief Executive Officer/ Non-Independent Executive Director
Ir. Yeo An Thai	Chief Operating Officer/ Non-Independent Executive Director
Tung Kai Hung	General Manager of Contracts/ Non-Independent Executive Director
Mohd Zaky bin Othman	Independent Non-Executive Director
Fathi Ridzuan bin Ahmad Fauzi	Independent Non-Executive Director

2.2.4 Key management

Name	Designation
Dato' Phum	Group Chief Executive Officer
Lim Swee Chai	Deputy Group Chief Executive Officer
Ir. Yeo An Thai	Chief Operating Officer
Tung Kai Hung	General Manager of Contracts
Teh Heng Wee	Chief Financial Officer
Lim Kok Tiong	General Manager of Project Management
Puah Kian Yiew	General Manager of Production and Operation

Further details of our Promoters, substantial shareholders, Directors and key management and their direct and indirect shareholdings in our Company are set out in Sections 8.1, 8.2 and 8.3 of this Prospectus.

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2. INFORMATION SUMMARY (CONT'D)

2.3 Competitive strengths

Our business is supported by the following competitive strengths to sustain the business as well as to support our growth:-

- i. We have an experienced key management team;
- ii. We own a sizeable fleet of machinery and equipment to support our business operations;
- iii. We are committed to maintaining quality standards in undertaking all of our construction projects; and
- iv. We have a proven track record in the earthworks and civil engineering services market.

Further details of our competitive strengths are set out in Section 6.3 of this Prospectus.

2.4 Future plans and strategies

Our Group's vision is to become the leading earthworks and civil engineering services contractor in Malaysia, specialising in bulk earthworks and major infrastructure works. Moving forward, our Group's future plans and business strategies will centre on the following key action plans:-

- i. Continued expansion within the earthworks and civil engineering services market;
- ii. Upgrading internal capabilities; and
- iii. Implementing an ISO 14001-compliant Environmental Management System

Further details of our future plans and strategies are set out in Section 6.17 of this Prospectus.

2.5 Financial highlights

The table in the following page sets out a summary of our historical audited consolidated financial information of our Group for the past three (3) financial years up to the FYE 31 December 2016. The historical audited consolidated financial information should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition, Results of Operations and Prospects" as set out in Section 11.3 of this Prospectus and the Accountants' Report and related notes as set out in Section 12 of this Prospectus.

2. INFORMATION SUMMARY (CONT'D)

2.5.1 Historical consolidated statements of comprehensive income

	<-----Audited----->		
	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Revenue	199,809	264,307	234,668
Cost of sales	(150,335)	(205,436)	(170,607)
Gross profit	49,474	58,871	64,061
Other income	2,911	6,163	3,471
Administrative expenses	(13,056)	(17,612)	(21,951)
Other operating expenses	(5,283)	(2,538)	(2,741)
Profit from operations	34,046	44,884	42,840
Finance costs	(4,196)	(4,905)	(5,694)
PBT	29,850	39,979	37,146
Income tax expense	(8,439)	(10,039)	(10,698)
PAT	21,411	29,940	26,448
EBITDA (RM'000)	45,857	59,062	57,545
Depreciation and amortisation (RM'000)	12,169	14,684	16,165
Gross profit margin (%) ^{*1}	24.8	22.3	27.3
PBT margin (%) ^{*2}	14.9	15.1	15.8
PAT margin (%) ^{*3}	10.7	11.3	11.3
EPS (sen)			
- Before Restructuring Exercise ^{*4}	1,715.63	2,399.04	2,119.23
- After Restructuring Exercise ^{*5}	6.86	9.59	8.47
- After Restructuring Exercise and Public Issue ^{*6}	5.33	7.45	6.58
Current ratio (times) ^{*7}	0.97	1.00	1.12
Gross gearing ratio (times) ^{*8}	1.06	0.88	0.81
Net gearing ratio (times) ^{*9}	1.00	0.82	0.77
NA (RM'000)	63,733	93,673	105,621
NA per share (RM)			
- Before Restructuring Exercise ^{*10}	51.06	75.04	84.63
- After Restructuring Exercise ^{*11}	0.20	0.30	0.34

2. INFORMATION SUMMARY (CONT'D)

	<-----Audited----->		
	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
- After Restructuring Exercise and Public Issue ^{*12}	0.16	0.23	0.26
NTA (RM'000)	63,733	93,673	105,621
NTA per share (RM)			
- Before Restructuring Exercise ^{*13}	51.06	75.04	84.63
- After Restructuring Exercise ^{*14}	0.20	0.30	0.34
- After Restructuring Exercise and Public Issue ^{*15}	0.16	0.23	0.26

Notes:-

- *1 Gross profit margin is computed based on the gross profit over revenue
- *2 PBT margin is computed based on the PBT over revenue
- *3 PAT margin is computed based on the PAT over revenue
- *4 EPS before the Restructuring Exercise is computed based on the PAT over 1,248,316 Advancecon Shares for the financial years presented above
- *5 EPS after the Restructuring Exercise is computed based on the PAT over 312,079,000 Advancecon Shares on the assumption that the enlarged Group structure was in existence for the financial years presented above
- *6 EPS after the Restructuring Exercise and the Public Issue is computed based on the PAT over 402,079,000 Advancecon Shares on the assumption that the enlarged Group structure was in existence for the financial years presented above
- *7 Current ratio is computed based on the total current assets over total current liabilities
- *8 Gross gearing ratio is computed based on the total borrowings (only interest bearing) over shareholders' equity
- *9 Net gearing ratio is computed based on the total borrowings (only interest bearing) less cash and bank balances over shareholders' equity
- *10 NA per share is computed based on the NA over 1,248,316 Advancecon Shares for the financial years presented above
- *11 NA per share is computed based on the NA over 312,079,000 Advancecon Shares on the assumption that the enlarged Group structure was in existence for the financial years presented above
- *12 NA per share is computed based on the NA over 402,079,000 Advancecon Shares on the assumption that the enlarged Group structure was in existence for the financial years presented above
- *13 NTA per share is computed based on the NTA over 1,248,316 Advancecon Shares for the financial years presented above
- *14 NTA per share is computed based on the NTA over 312,079,000 Advancecon Shares on the assumption that the enlarged Group structure was in existence for the financial years presented above
- *15 NTA per share is computed based on the NTA over 402,079,000 Advancecon Shares on the assumption that the enlarged Group structure was in existence for the financial years presented above

2. INFORMATION SUMMARY (CONT'D)

2.5.2 Historical consolidated statements of financial position

	< -----Audited----- >		
	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Total non-current assets	104,283	132,730	136,164
Total current assets	112,873	134,544	159,724
Total assets	217,156	267,274	295,888
Total non-current liabilities	36,831	39,220	47,444
Total current liabilities	116,592	134,381	142,823
Total liabilities	153,423	173,601	190,267
Net Assets	63,733	93,673	105,621
Issued capital and reserves	63,733	93,673	105,621

Further details of our financial information are set out in Section 11 of this Prospectus.

2.6 Principal statistics of our IPO

	No. of Shares	RM
Share capital		
Issued share capital as at the date of this Prospectus	312,079,000	31,207,900
Shares to be issued pursuant to the Public Issue	90,000,000	56,700,000
Enlarged issued share capital upon Listing	<u>402,079,000</u>	<u>87,907,900</u>
Offer for Sale	33,000,000	3,300,000
IPO Price for each IPO Share		0.63
Market capitalisation of our Company based on the IPO Price upon Listing		253,309,770
Pro forma NA based on our Pro forma Consolidated Statement of Financial Position as at 31 December 2016		
Pro forma NA upon Listing ^{*1}		158,520,629
Pro forma NA per Share upon Listing ^{*2}		0.39

Notes:-

*1 After taking into account our Public Issue of 90,000,000 new Shares at the IPO Price and after deducting estimated listing expenses of RM3,800,000

*2 Based on our enlarged issued share capital upon Listing of 402,079,000 Shares (after taking into account the dilutive effect arising from the Bonus Issue pursuant to the Restructuring Exercise which was completed on 19 July 2016 and adjusting for the proposed utilisation of proceeds for our IPO)

2. INFORMATION SUMMARY (CONT'D)

Our Issue Shares of 90,000,000 new Shares represents approximately 22.4% of our Company's enlarged issued share capital. We have only one (1) class of shares, namely ordinary shares. All the new Shares to be issued pursuant to our IPO shall rank *pari passu* in all respects with our existing issued shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

The Offer Shares will rank *pari passu* in all respects with our existing issued shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment thereof.

Further details of our IPO are set out in Section 3 of this Prospectus.

2.7 Utilisation of proceeds from the Public Issue

We expect to raise gross proceeds of RM56.70 million from our Public Issue based on the IPO Price of RM0.63 per Share. Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds are intended to be utilised in the following manner:-

No.	Details of utilisation	Estimated timeframe for utilisation upon Listing	Amount RM'000	Percentage of gross proceeds %
i.	Total capital expenditures:-	Within 24 months	29,700	52.4
	(a) Purchase of new construction machinery and equipment	Within 12 months	15,100	50.8
	(b) Construction of new workshop	Within 24 months	14,600	49.2
ii.	Repayment of bank borrowings	Within 6 months	12,500	22.0
iii.	Working capital	Within 24 months	10,700	18.9
iv.	Estimated listing expenses	Upon Listing	3,800	6.7
			56,700	100.0

Further details of our utilisation of proceeds are set out in Section 3.12 of this Prospectus.

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2. INFORMATION SUMMARY (CONT'D)

2.8 Risk factors

Before investing in our Shares, you should pay particular attention to the fact that our Group and our operations are governed by the legal, regulatory and business environment in Malaysia. Our business is subject to factors which may impact the operating performance and financial performance of our Group. Prior to making an investment decision, you should carefully consider the risk factors and investment considerations (which may not be exhaustive) as set out below. Additional risk, whether known or unknown, may in the future have an adverse effect on us or our Shares.

2.8.1 Risks relating to our business and operations

- i. Our operations are reliant on certain approvals, licences and permits;
- ii. Our contracts are on project basis hence the absence of long-term contractual agreement with our customers;
- iii. Reliance on major customers;
- iv. Our construction works are dependent on the services of our subcontractors;
- v. We are subject to the risks of possible delays in completing our construction projects;
- vi. Our business may be affected by defects in our construction works;
- vii. The construction projects undertaken are subject to risk of unforeseen ground conditions;
- viii. Our Company may be affected by the fluctuations in the prices of raw materials;
- ix. Our Group's operations are dependent on our Directors and key management team;
- x. Our construction works are reliant on the use of machinery and equipment;
- xi. Our Group is exposed to borrowings and financing risks;
- xii. Our Group may suffer inadequate insurance coverage on our assets, construction projects and employees;
- xiii. We are subject to property investment risk; and
- xiv. There is no assurance that our business strategies and future plans can be successfully implemented.

2.8.2 Risks relating to our industry

- i. The construction activity is dependent on the Malaysian property sector;
- ii. The construction industry is exposed to political, economic and regulatory risks;

2. INFORMATION SUMMARY (CONT'D)

- iii. The construction industry is dependent on general workers;
- iv. The construction activities are exposed to risks relating to workplace HSE;
- v. Our operations may be affected by any occurrence of force majeure events such as inclement weather conditions, natural disasters and other unavoidable accidents; and
- vi. The construction industry is highly competitive.

2.8.3 Risks relating to our IPO

- i. Our IPO may not result in active liquid market for our Shares;
- ii. The trading price and trading volume of our Shares may experience high volatility;
- iii. Continued control by our Promoters and substantial shareholders;
- iv. We may not be able to pay dividends in the future;
- v. Our Listing schedule may be delayed or be aborted due to unexpected circumstances;
- vi. There may be delay between our admission on the Main Market of Bursa Securities and the trading of our Shares;
- vii. Any form of funds raising which may be undertaken in the future may dilute shareholders' equity interest, restricting our operations and affect the prevailing market price of our Shares; and
- viii. Forward-looking statements.

Further details of the risk factors are set out in Section 4 of this Prospectus.

2.9 Dividend policy

As we are a holding company, our Company's income and our ability to pay dividends are dependent upon the dividends received from our Subsidiaries. The payment of the dividends by our Subsidiaries is dependent upon their distributable profits, operating results, financial condition, capital expenditure plans as well as other factors.

It is the intention of our Board's policy to recommend and distribute minimum dividends of 20% of our annual PAT attributable to the shareholders of our Company. Any dividends declared will be subjected to the recommendation of our Board and any final dividends declared will be subjected to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our Group's current intention and shall not constitute legally binding statements in respect of our Group's future dividends that are subject to our Board's absolute discretion. No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

2. INFORMATION SUMMARY (CONT'D)

Our Group's historical dividend payout are set out in the table below:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Dividends declared during the financial year	-	-	14,500
Dividends paid during the financial year	-	-	5,000

As set out in the table above, our Group had declared total dividends amounting to RM14.50 million for the FYE 31 December 2016. We had paid RM5.00 million during the FYE 31 December 2016 and the remaining RM9.50 million ("Additional Interim Dividends") were paid in two (2) tranches in the financial year ending 31 December 2017 (i.e. on 10 January 2017 and 28 February 2017).

For clarification purpose, the Additional Interim Dividends were declared and paid after the SC's approvals on our IPO but prior to the issuance of the Prospectus. Furthermore, the aforementioned Additional Interim Dividends were declared and paid despite our Group recording a negative cash and cash equivalents position as at the FYE 31 December 2016 of approximately RM6.01 million. In view of the foregoing, our Board had then engaged the Reporting Accountants, namely Crowe Horwath, to perform agreed-upon procedures on the following cash balances to check whether our Group had available cash (net of bank overdrafts) to be distributed as Additional Interim Dividends during the abovementioned payment dates:-

- (i) The cash and cash equivalents of Advancecon as at 31 March 2017; and
- (ii) The movement of cash in hand, cash at bank and bank overdrafts balances between 1 January 2017 and 31 March 2017, including the checking of whether the available cash (net of bank overdrafts) before the payment of the Additional Interim Dividends is in excess of the payment of the Additional Interim Dividends.

Further details of Crowe Horwath's findings on the abovementioned agreed-upon procedures are set out in Section 11.8 of this Prospectus.

In addition, please refer to Section 4.3.4 of this Prospectus on the risk factor pertaining to the Company's future dividend payments and Section 11.8 of this Prospectus for further details on the dividend policy of the Company.

3. DETAILS OF OUR IPO

3.1 Introduction

This Prospectus is dated 19 June 2017.

We have obtained the SC's approvals on 24 November 2016 and 15 February 2017 in respect of our IPO. However, the approval of the SC shall not be taken to indicate that the SC recommends the IPO. We have registered a copy of this Prospectus with the SC. We have also lodged a copy of this Prospectus, together with the Application Forms with the ROC, and neither the SC nor the ROC takes any responsibility for its contents.

We have obtained the approval from Bursa Securities on 20 January 2017, for the admission to the Official List of the Main Market of Bursa Securities and for the listing of and quotation for our entire enlarged issued share capital on the Main Market of Bursa Securities. The official quotation will commence upon receipt of confirmation from Bursa Depository that all CDS Accounts of successful applicants have been duly credited and notices of allotment have been despatched to all successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit the IPO Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with SICDA and the Rules. We will not issue share certificates to successful applicants.

Pursuant to the Listing Requirements, at least 25% of the total number of our Shares for which listing is sought must be in the hands of 1,000 public shareholders holding not less than 100 Shares each, upon admission to the Official List. We expect to meet this public shareholding spread requirement at the point of the Listing. In the event that the above requirement is not met, we may not be allowed to proceed with the Listing. In such an event, we will return in full, without interest, monies paid in respect of all successful applications for our IPO. If any such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

You must have a CDS Account when applying for our IPO Shares. In the case of an application by way of the Application Form, you should state your CDS Account in the space provided in the Application Form. If you do not presently have a CDS Account, you must open a CDS Account at an ADA prior to making an application for our IPO Shares.

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application and you shall furnish your CDS Account number to the Participating Financial Institutions by way of keying in your CDS Account number if the instructions on the ATM screen at which you submit your Electronic Share Application requires you to do so. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account and an existing account with access to the internet financial services with Internet Participating Financial Institutions can make an Internet Share Application. You shall furnish your CDS Account number to the Internet Participating Financial Institutions by keying your CDS Account number into the online application form. A corporation or institution cannot apply for the IPO Shares by way of Internet Share Application.

3. DETAILS OF OUR IPO (CONT'D)

You should rely on the information contained in this Prospectus or any applicable Prospectus supplement. Neither we nor any of our advisers have authorised anyone to provide you with the information that is different and which is not contained in this Prospectus.

The delivery of this Prospectus or any issue made in connection with this Prospectus shall not, under any circumstances, constitute a representation or create any implication that there has been no change in our affairs since the date of this Prospectus.

Nonetheless, should we become aware of any material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of the Listing, we shall further issue a supplementary or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the CMSA.

The distribution of this Prospectus and the sale of our IPO Shares in other jurisdictions outside Malaysia may be restricted by the law. If you have come into possession of this Prospectus, we require you to inform yourself of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an offer to sell or invitation to subscribe for any IPO Shares in any jurisdiction and in any circumstances in which such offer or invitation is not authorised or lawful. This Prospectus shall also not be used to make an offer or invitation of our Shares to any person to whom it is unlawful to do so.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinion or reports expressed in this Prospectus. Admission to the Official List is not to be taken as an indication of the merits of our Company or our Shares.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND AN INVESTMENT IN US. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN DOUBT ABOUT THIS PROSPECTUS, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS BEFORE APPLYING FOR OUR SHARES.

3.2 Opening and closing of Applications

Your Application for the IPO Shares will be accepted from 10.00 a.m. on 19 June 2017 and will close at 5.00 p.m. on 28 June 2017 or such other later time and date or dates as our Directors, Promoters, Offerors and our Underwriter may in their absolute discretion mutually decide upon consultation with the SC. **Late Applications for the IPO Shares will not be accepted.**

3.3 Indicative timetable

The following events are intended to take place on the following indicative dates:-

Events	Tentative date
Issuance of this Prospectus	19 June 2017
Opening of applications for the IPO Shares	19 June 2017
Closing of applications for the IPO Shares	28 June 2017
Balloting of applications for the IPO Shares	30 June 2017
Allotment and transfer of the IPO Shares to successful applicants	6 July 2017
Listing on the Main Market of Bursa Securities	10 July 2017

3. DETAILS OF OUR IPO (CONT'D)

The applications for the IPO Shares will close at the date stated above or such later date as our Directors, Promoters and Offerors together with our Underwriter in their absolute discretion may mutually decide upon consultation with the SC.

In the event the closing date of applications for the IPO Shares is extended, the dates for the balloting of applications for the IPO Shares, allotment and transfer of the IPO Shares to successful applicants and our Listing may be extended accordingly. Any extension will be announced in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia.

3.4 Purposes of our IPO

The purposes of our IPO are set out below:-

- i. To enable us to gain access to the equity capital market for funds raising and to have greater financial capability in pursuing our future expansion plans and growth opportunities of our Group;
- ii. To raise funds for the purposes as set out in Section 3.12 of this Prospectus in accordance with the anticipated growth of our Group and to strengthen our capital base for business expansion;
- iii. To enhance our Group's reputation and recognition through the listing status and further enhance our corporate reputation and brand name, which assist towards enlarging our customer base;
- iv. To establish the liquidity for our Shares; and
- v. To provide an opportunity for the general public and investing community, which include our eligible Directors and our employees to participate in the equity ownership and continued growth of our Group.

3.5 Statistics of our IPO

	No. of Shares	RM
i. Share capital		
Issued share capital as at the date of this Prospectus	312,079,000	31,207,900
Shares to be issued pursuant to the Public Issue	90,000,000	56,700,000
Enlarged issued share capital upon Listing	402,079,000	87,907,900
Offer for Sale	33,000,000	3,300,000
ii. IPO Price for each IPO Share		0.63
iii. Market capitalisation of our Company based on the IPO Price upon Listing		253,309,770

3. DETAILS OF OUR IPO (CONT'D)

	No. of Shares	RM
iv. Pro forma NA based on our Pro forma Consolidated Statement of Financial Position as at 31 December 2016		
Pro forma NA upon Listing ^{*1}		158,520,629
Pro forma NA per Share upon Listing ^{*2}		0.39

Notes:-

^{*1} After taking into account our Public Issue of 90,000,000 new Shares at the IPO Price and after deducting estimated listing expenses of RM3,800,000

^{*2} Based on our enlarged issued share capital upon Listing of 402,079,000 Shares (after taking into account the dilutive effect arising from the Bonus Issue pursuant to the Restructuring Exercise which was completed on 19 July 2016 and adjusting for the proposed utilisation of proceeds for our IPO)

You are to pay in full on Application the IPO Price of RM0.63 for each IPO Share.

3.6 Classes of Shares and ranking

As at the date of this Prospectus, we have only one (1) class of shares, namely ordinary shares. The IPO Shares, upon allotment and issue or transfer, shall rank *pari passu* in all respects with our existing issued Shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of allotment or transfer of the IPO Shares.

Subject to any special rights attaching to any Shares which we may issue in the future, which in any event will be subject to shareholders' approval, our shareholders shall, in proportion to the amount paid-up on our Shares held by them, be entitled to share in the profits paid out by us as dividends and other distributions and any surplus in the event of our liquidation, such surplus to be distributed amongst the members in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Our shareholders are entitled to vote at any of our general meeting in person or by proxy or by the attorney or by other duly authorised representative. Pursuant to the Listing Requirements, any resolution set out in the notice of our general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. On a poll, every shareholder present in person or by proxy or by attorney or by other duly authorised representative shall have one (1) vote for every Share held or represented. A proxy may but need not be a member of our Company.

3. DETAILS OF OUR IPO (CONT'D)

3.7 Details of our IPO

The Public Issue of 90,000,000 Issue Shares and the Offer for Sale of 33,000,000 Offer Shares are issued/ offered at the IPO Price payable in full on Applications subject to the terms and conditions set out in this Prospectus and, upon acceptance, will be allocated and allotted in the manner as set out below:-

3.7.1 Public Issue

Our Public Issue of 90,000,000 Issue Shares representing approximately 22.4% of our enlarged issued share capital, at the IPO price of RM0.63 per Issue Share will be made available for application in the manner as set out below:-

i. Malaysian Public via balloting

30,000,000 Issue Shares representing approximately 7.5% of our enlarged issued share capital will be made available for application by the Malaysian Public through a balloting process, of which 15,000,000 Issue Shares representing approximately 3.7% of our enlarged issued share capital are allocated to Bumiputera investors, which include individuals, companies, societies, co-operatives and/ or institutions. Any Issue Shares not subscribed by the Bumiputera investors will be made available for application by other Malaysian Public.

ii. Our eligible Directors and employees who have contributed to the success of our Group

5,000,000 Issue Shares representing approximately 1.2% of our enlarged issued share capital will be reserved for application by our eligible Directors and our employees who have contributed to the success of our Group in recognition of their efforts and supports contributed to our Group.

The Issue Shares to be allocated to our eligible Directors and our employees who have contributed to the success of our Group are set out below:-

		Number of persons	Number of Issue Shares allocated
(a)	Eligible Directors ^{*1}	7	1,000,000
(b)	Eligible employees who have contributed to the success of our Group ^{*2}	114	4,000,000
	Total	121	5,000,000

3. DETAILS OF OUR IPO (CONT'D)**Notes:-**

*1 The criteria for allocation to our eligible Directors are based on their respective roles and responsibilities in our Group. The details of the Issue Shares to be allocated to our eligible Directors are set out below:-

Directors	Designation	Number of Issue Shares allocated
Yeoh Chong Keat	Chairman/ Independent Non-Executive Director	100,000
Dato' Phum	Group Chief Executive Officer/ Non-Independent Executive Director	200,000
Lim Swee Chai	Deputy Group Chief Executive Officer/ Non-Independent Executive Director	200,000
Ir. Yeo An Thai	Chief Operating Officer/ Non-Independent Executive Director	150,000
Tung Kai Hung	General Manager of Contracts/ Non-Independent Executive Director	150,000
Mohd Zaky bin Othman	Independent Non-Executive Director	100,000
Fathi Ridzuan bin Ahmad Fauzi	Independent Non-Executive Director	100,000
Total		1,000,000

*2 The criteria of allocation to our eligible employees who have contributed to the success of our Group (as approved by our Board) are based on, inter-alia, the following factors:-

- (a) The eligible employee must be a full time confirmed employee and on the payroll of our Group; and
- (b) The number of Issue Shares allocated to the eligible employees is based on their seniority, designation, length of service, past performance and respective contributions made to our Group as well as other factors considered relevant to our Board.

The number of Issue Shares allocated under this category is inclusive of the allocation to our Key Management (excluding our Executive Directors), details of which are set out in Section 8.3.2 of this Prospectus.

3. DETAILS OF OUR IPO (CONT'D)

iii. Private placement

55,000,000 Issue Shares representing approximately 13.7% of our enlarged issued share capital will be made available for application in the manner as set out below:-

(a) Private placement to institutional and identified investors

37,000,000 Issue Shares representing approximately 9.2% of our enlarged issued share capital to be allocated by way of private placement to institutions and identified investors; and

(b) Private placement to identified Bumiputera investors approved by the MITI

18,000,000 Issue Shares representing approximately 4.5% of our enlarged issued share capital to be allocated by way of private placement to identified Bumiputera investors approved by the MITI.

3.7.2 Offer for Sale

The Offerors will offer for sale of 33,000,000 Offer Shares representing approximately 8.2% of our enlarged issued share capital at the IPO Price of RM0.63 per Offer Share by way of private placement to identified Bumiputera investors approved by the MITI. The gross proceeds from the Offer for Sale will accrue entirely to the Offerors in their respective portions for their personal commitments.

Details of the Offerors are set out in Section 3.8 of this Prospectus.

3.7.3 Underwriting and allocation of the IPO Shares

The summary of the allocation of IPO Shares are set out below:-

	Public Issue		Offer for Sale		Total	
	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}
Malaysian Public (via balloting)	30,000,000	7.5	-	-	30,000,000	7.5
Eligible Directors and employees	5,000,000	1.2	-	-	5,000,000	1.2
Private placement to institutional and identified investors	37,000,000	9.2	-	-	37,000,000	9.2
Private placement to Bumiputera investors approved by the MITI	18,000,000	4.5	33,000,000	8.2	51,000,000	12.7
Total	90,000,000	22.4	33,000,000	8.2	123,000,000	30.6

Note:-

*1 Based on our enlarged issued share capital of 402,079,000 Shares

3. DETAILS OF OUR IPO (CONT'D)

All the 30,000,000 Issue Shares made available for application by the Malaysian Public as set out in Section 3.7.1(i) of this Prospectus have been fully underwritten.

The Issue Shares of 5,000,000 reserved for application by our eligible Directors and employees who have contributed to the success of our Group as set out in Section 3.7.1(ii) of this Prospectus have been underwritten. The 55,000,000 Issue Shares to be allocated by way of private placement to the institutional and identified investors and identified Bumiputera investors approved by the MITI as set out in Section 3.7.1(iii) of this Prospectus as well as the Offer Shares to be offered by way of private placement to identified Bumiputera investor approved by the MITI as set out in Section 3.7.2 of this Prospectus are not underwritten as our Placement Agent has received irrevocable undertakings from the identified investors to take up the Issue Shares and Offer Shares made available for application under the private placement.

If any Issue Shares allocated to the Malaysian Public under Section 3.7.1(i) of this Prospectus are undersubscribed, the balance portion will be allocated to our eligible Directors and employees who have contributed to the success of our Group as described in Section 3.7.1(ii) of this Prospectus. In the event that there are Issue Shares not subscribed by the Malaysian Public as well as our eligible Directors and employees who have contributed to the success of our Group, the remaining portion will be made available for application by way of private placement to institutional and identified investors under Section 3.7.1(iii)(a) of this Prospectus. Thereafter, any remaining Issue Shares allocated to the Malaysian Public that are still not subscribed for, will be subject to the terms and conditions of the Underwriting Agreement, subscribed by the Underwriter.

Any Issue Shares which are not undertaken by our eligible Directors and employees who have contributed to the success of our Group under Section 3.7.1(ii) of this Prospectus will be allocated to the Malaysian Public under Section 3.7.1(i) of this Prospectus. In the event that there are Issue Shares not subscribed by the Malaysian Public as well as our eligible Directors and employees who have contributed to the success of our Group, the remaining portion will be made available for application by way of private placement to institutional and identified investors under Section 3.7.1(iii)(a) of this Prospectus. Thereafter, any remaining Issue Shares that are not subscribed for will be subject to the terms and conditions of the Underwriting Agreement, subscribed by the Underwriter.

In the event of under-subscription by institutional and identified investors under Section 3.7.1(iii)(a) of this Prospectus and subject to a corresponding over-subscription by the Malaysian Public, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors under Section 3.7.1(i) of this Prospectus.

3. DETAILS OF OUR IPO (CONT'D)

In the event of under-subscription by the identified Bumiputera investors approved by the MITI under Section 3.7.1(iii)(b) of this Prospectus and subject to a corresponding over-subscription by the Malaysian Public or over-subscription by institutional and identified investors, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors under Section 3.7.1(i) of this Prospectus and/ or placed to institutional and identified investors under Section 3.7.1(iii)(a) of this Prospectus.

In the event of under-subscription of the Offer Shares under Section 3.7.2 of this Prospectus and a corresponding over-subscription by Malaysian Public or over-subscription by institutional and identified investors, the remaining portion will be clawed back and be allocated to the Malaysian Public to increase the participation of retail investors under Section 3.7.1(i) of this Prospectus and/ or placed to institutional and identified investors under Section 3.7.1(iii)(a) of this Prospectus.

Please refer to Section 3.14 of this Prospectus for further details on the underwriting arrangement.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of Issue Shares.

3.7.4 Minimum requirements

The basis of allocating the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening our shareholding base, to meet the public spread requirements of Bursa Securities as well as to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors, Promoters and Offerors.

3.7.5 Minimum subscription

There is no minimum subscription in terms of the proceeds to be raised by our Company and the Offerors as the Public Issue under Sections 3.7.1(i) and (ii) of this Prospectus will be underwritten whilst our Placement Agent will ensure the successful placement of all the Issue Shares and Offer Shares. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of Shares to be acquired will be the number of Shares required to be held by public shareholders for our Company to comply with public spread requirements as per the Listing Requirements or as approved by Bursa Securities.

Pursuant to the Listing Requirements of Bursa Securities, at least 25.0% of our enlarged issued share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the time of our admission to the Official List. Prior to our admission to the Official List, we will ensure that the public shareholding spread requirement is met through a combination of the balloting process and the private placement exercise to ensure that a minimum number of 1,000 public shareholders holding not less than 100 Shares is in place and at least 25.0% of our enlarged issued share capital are held by public shareholders.

3. DETAILS OF OUR IPO (CONT'D)**3.8 Offerors**

Details of our Offerors and their relationships with our Group within the past three (3) years are set out below:-

Name	Address	Nature of relationship	Before the IPO		Shares offered pursuant to the Offer for Sale		After the IPO		
			No. of Shares	%	No. of Shares	% ^{*1}	No. of Shares	% ^{*2}	
Dato' Phum	8, Jalan BRP 5/8 Bukit Rahman Putra 47000 Sungai Buloh Selangor Darul Ehsan	Promoter, substantial shareholder and Group Chief Executive Officer	106,763,750	34.1	11,400,000	3.9	2.9	95,563,750 ³	23.7
Lim Swee Chai	40, Lorong Permai Dua Taman Seri Gombak 68100 Batu Caves Selangor Darul Ehsan	Promoter, substantial shareholder and Deputy Group Chief Executive Officer	57,488,250	18.3	6,200,000	2.0	1.6	51,488,250 ³	12.7
Pham Soon Kok	16, Jalan BRP 5/8 Bukit Rahman Putra 47000 Sungai Buloh Selangor Darul Ehsan	Promoter and substantial shareholder	32,850,250	10.5	3,500,000	1.2	0.9	29,350,250	7.3
Ir. Yeo An Thai	71, Jalan SS25/39 Taman Mayang 47301 Petaling Jaya Selangor Darul Ehsan	Promoter, substantial shareholder and Chief Operating Officer	16,425,250	5.3	1,700,000	0.5	0.4	14,875,250 ³	3.7
Tung Kai Hung	52, Jalan Ara SD 7/1 Bandar Sri Damansara 52200 Kuala Lumpur	Promoter, substantial shareholder and General Manager of Contracts	16,425,250	5.3	1,700,000	0.5	0.4	14,875,250 ³	3.7
Lim Kok Tiong	22, Jalan Kemuning Bayu 33/32L Kemuning Utama 40400 Shah Alam Selangor Darul Ehsan	Promoter, substantial shareholder and General Manager of Project Management	16,425,250	5.3	1,700,000	0.5	0.4	14,789,250 ³	3.7

3. DETAILS OF OUR IPO (CONT'D)

Name	Address	Nature of relationship	Before the IPO		Shares offered pursuant to the Offer for Sale		After the IPO		
			No. of Shares	%	No. of Shares	% ¹	No. of Shares	% ²	
Puah Kian Yiew	3, Jalan Anggerik Doritis 31/139 Kota Kemuning 40460 Shah Alam Selangor Darul Ehsan	Promoter, substantial shareholder and General Manager of Production and Operation	16,425,250	5.3	1,700,000	0.5	0.4	14,793,250 ³	3.7
Lam Wing King	51, Penempatan Semula Setinggi Kg Sri Indah 47000 Sungai Buloh Selangor Darul Ehsan	Promoter, substantial shareholder and Assistant General Manager of Workshop	16,425,250	5.3	1,700,000	0.5	0.4	14,789,250 ³	3.7
Chan Keng Kong	33, Jalan Anggerik 5A, Taman Puchong Perdana, Batu 12 ¼ 47100 Puchong Selangor Darul Ehsan	Promoter, substantial shareholder and Senior Manager of Production and Operation	16,425,250	5.3	1,700,000	0.5	0.4	14,769,250 ³	3.7
Yap Goon Ying	28, Jalan Daun Inai 5 Sunway SPK Damansara 52200 Kuala Lumpur	Promoter, substantial shareholder and Manager of Logistic	16,425,250	5.3	1,700,000	0.5	0.4	14,777,250 ³	3.7
Total			312,079,000	100.0	33,000,000	10.6	8.2	280,071,000	69.7

Notes:-

- ¹ Based on our existing issued share capital of 312,079,000 Shares immediately prior to the IPO
- ² Based on our enlarged issued share capital of 402,079,000 Shares immediately after the IPO
- ³ Including pink form allocation amounting to 992,000 Shares for our eligible Directors and employees who have contributed to our Group
- Further details of our Offerors who are also our Promoters and substantial shareholders are set out in Section 8.1.2 of this Prospectus.

3. DETAILS OF OUR IPO (CONT'D)

3.9 Basis of arriving at the IPO Price

The IPO Price of RM0.63 per IPO Share was determined and agreed upon by our Directors, Promoters and Offerors together with RHBIB who is our Principal Adviser, Underwriter and Placement Agent, after taking into consideration the following factors:-

- i. Our audited consolidated EPS of approximately 8.47 sen for the FYE 31 December 2016 based on our existing issued share capital of 312,079,000 Shares prior to the Listing representing a price-to-earnings ratio of approximately 7.43 times;
- ii. Our audited consolidated EPS of approximately 6.58 sen for the FYE 31 December 2016 based on our enlarged issued share capital of 402,079,000 Shares upon Listing representing a price-to-earnings ratio of approximately 9.58 times;
- iii. Our pro forma consolidated NA per Share of approximately RM0.39 as at 31 December 2016 upon our Listing and after the proposed utilisation of proceeds based on our pro forma consolidated NA of approximately RM158,520,629 and our enlarged issued share capital of 402,079,000 Shares representing a price-to-book ratio of approximately 1.62 times;
- iv. Our operating history and competitive strengths that have been the keys to our achievements, which we believe would continuously contribute to the success and growth of our Group, the details of which are set out in Sections 5.1 and 6.3 of this Prospectus; and
- v. Our future plans, which focused on the expansion of our Group's operation capacity and facilities, the future outlook of the local construction industry and the status of our order book, as disclosed in Sections 6.17, 7 and 11.5 of this Prospectus.

Our Directors, Promoters and Offerors together with RHBIB are of the opinion that the IPO Price is fair and reasonable after careful consideration of the above-mentioned factors.

Prospective investors should note that the market price of our Shares upon Listing is subject to the vagaries of market forces and other uncertainties which may affect the market price of our Shares. Prospective investors should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. You are also reminded to consider carefully the risk factors as set out in Section 4 of this Prospectus.

3. DETAILS OF OUR IPO (CONT'D)

3.10 Market capitalisation upon our Listing

Based on the IPO Price of RM0.63 per IPO Share and our enlarged issued share capital of 402,079,000 Shares, the market capitalisation upon our Listing on the Main Market of Bursa Securities will be RM253,309,770.

3.11 Dilution

Dilution is the amount by which the IPO Price paid by the investors for our IPO Shares exceeds our pro forma consolidated NA per Share immediately after the implementation of our IPO. Our audited consolidated NA per Share after the Restructuring Exercise is RM0.34, based on our enlarged issued share capital of 312,079,000 Shares prior to our Listing.

After giving effect to the issuance of 90,000,000 new IPO Shares, and after adjusting for the proposed utilisation of proceeds for our IPO, our pro forma consolidated NA per Share as at 31 December 2016 based on our enlarged issued share capital of 402,079,000 Shares would be RM0.39. This represents an immediate increase in NA per Share of RM0.05 to our existing shareholders and an immediate dilution in the pro forma consolidated NA per Share of RM0.24 representing approximately 38.1% dilution, to our new investors. The following table illustrates such dilution on a per Share basis:-

	RM
IPO Price	0.63
Audited consolidated NA per Share as at 31 December 2016 based on the existing issued share capital of 312,079,000 Advancecon Shares	0.34
Increase in pro forma consolidated NA per Share attributable to the existing shareholders	0.05
Pro forma consolidated NA per Share after adjusting for the Public Issue and proposed utilisation of proceeds	0.39
Dilution in NA per Share to new investors	0.24
Dilution in NA per Share to new investors as a percentage of the IPO Price	38.1%

The following table summarises the total number of Shares acquired by our Promoters who are also our substantial shareholders pursuant to the Restructuring Exercise and the cost per Share to them and to the new public investors who subscribe or purchase the IPO Shares pursuant to our IPO:-

	Number of Shares held after the Restructuring Exercise	Total consideration RM	Effective cost per Share RM
Dato' Phum	106,763,750	10,676,375	0.10
Lim Swee Chai	57,488,250	5,748,825	0.10
Pham Soon Kok	32,850,250	3,285,025	0.10
Ir. Yeo An Thai	16,425,250	1,642,525	0.10
Tung Kai Hung	16,425,250	1,642,525	0.10

3. DETAILS OF OUR IPO (CONT'D)

	Number of Shares held after the Restructuring Exercise	Total consideration RM	Effective cost per Share RM
Lim Kok Tiong	16,425,250	1,642,525	0.10
Puah Kian Yiew	16,425,250	1,642,525	0.10
Lam Wing King	16,425,250	1,642,525	0.10
Chan Keng Kong	16,425,250	1,642,525	0.10
Yap Goon Ying	16,425,250	1,642,525	0.10
IPO Investors:-			
• Public Issue	90,000,000	56,700,000	0.63
• Offer for Sale	33,000,000	20,790,000	0.63

Save as disclosed above, there has been no direct acquisition and/ or subscription of any existing Shares in our Company by our Promoters, substantial shareholders, Directors, key management and/ or persons connected to them, or any transactions by them which grants them the right to acquire or subscribe any of our Shares during the past three (3) years prior to the date of this Prospectus.

3.12 Utilisation of proceeds from the Public Issue

Based on the IPO Price, the gross proceeds of RM56.70 million will be raised from our Public Issue. Our Company will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting to RM20.79 million will accrue entirely to the Offerors in their respective portions for their personal commitments.

The gross proceeds are intended to be utilised in the following manner:-

No.	Details of utilisation	Estimated timeframe for utilisation upon Listing	Amount RM'000	Percentage of gross proceeds %
i.	Total Capital expenditures:-	Within 24 months	29,700	52.4
	(a) Purchase of new construction machinery and equipment	Within 12 months	15,100	50.8
	(b) Construction of new workshop	Within 24 months	14,600	49.2
ii.	Repayment of bank borrowings	Within 6 months	12,500	22.0
iii.	Working capital	Within 24 months	10,700	18.9
iv.	Estimated listing expenses	Upon Listing	3,800	6.7
			56,700	100.0

3. DETAILS OF OUR IPO (CONT'D)

Further details on the proposed utilisation of the gross proceeds from our Public Issue are set out below:-

i. Capital expenditures

(a) Purchase of new construction machinery and equipment

Our Group intends to allocate approximately RM15.10 million, representing approximately 26.6% of the proceeds from our Public Issue for the purchase of new construction machinery and equipment to cater for our current construction projects and to facilitate future expansion of our earthworks and civil engineering services. The details of the new construction machinery and equipment are set out below:-

Type/Model	No. of Unit(s)	Total Purchase Cost RM'000	Purposes
Excavator (capacity weight 13 to 20 tonnes)	6	2,100	Use for carrying works such as road base excavating, site clearing (shredding & clamping), desilting pond and excavating temporary earth drain
Excavator (capacity weight 48 tonnes)	8	8,000	Use for bulk earthwork production by loading excavated material into tipper trucks
Motor Grader	2	1,400	Use in surfacing of earthworks or road to create a flat surface in anticipation of the increasing road and highway construction works
Tipper Truck (capacity weight 60 tonnes)	10	3,600	Use for transporting loose material for construction and to enhance the Group's productivity in bulk earthworks
Total Cost	26	15,100	

The purchase of new construction machinery and equipment will enable us to have more flexibility in the coordination of machinery and equipment for all our construction projects which involve in earthworks and civil engineering services and would result in better time management of our project schedule.

3. DETAILS OF OUR IPO (CONT'D)

The average utilisation rates of our primary machinery and equipment such as excavators, bulldozers, compactors, tipper trucks and motor graders for the past three (3) financial years under review, were recorded at approximately 87.8%, 89.5% and 90.3%, respectively. These new machinery and equipment is expected to achieve an average utilisation rate of approximately 92.8%.

In addition, the purchase of new machinery and equipment would also enhance our overall operating capacities. Over the past three (3) financial years under review, the excavators with capacity weight of 48 tonnes recorded a total operating capacity of approximately 26,820,000 m³, 27,360,000 m³ and 25,921,600 m³, respectively whilst the tipper trucks with capacity weight of 60 tonnes recorded a total operating capacity of approximately 18,935,400 m³, 21,112,500 m³, and 21,700,000 m³, respectively. The additional eight (8) units of new excavators with capacity weight of 48 tonnes and the additional ten (10) units of tipper trucks with capacity weight of 60 tonnes are expected to increase our operating capacity by approximately 5,760,000 m³ and 1,920,000 m³, respectively.

It is also in accordance with our replacement practice of machinery and equipment that these new machinery and equipment would enhance the overall operational efficiency level and at the same time, minimising the breakdown of some of our old machinery and equipment which would reduce the overall operating cost of the Group. For the avoidance of doubt, the Company has no fixed policy on the replacement of the machinery and equipment, however we will assess the operating capacities and the conditions of these machineries from time to time and when necessary, replace the machinery and equipment.

The expansion of our fleet of machinery and equipment is also in accordance with our continuous efforts to expand our earthworks and civil engineering services in Malaysia as set out in Sections 6.17(i) and 6.17(ii) of this Prospectus. As our Group focuses on securing new projects, the availability of these machinery and equipment would increase our operational efficiencies in planning and coordinating of our construction projects and would enhance our competitiveness to tender for new projects.

Please refer to Sections 6.17 and 11.5 of this Prospectus for further details of our future plans and status of our order book, respectively.

(b) Construction of new workshop

Our Group intends to allocate approximately RM14.60 million, representing approximately 25.8% of the proceeds from our Public Issue to construct an in-house workshop for the purpose of carrying out repair and maintenance services of our machinery and equipment. The workshop is located at the Industrial Land with a total Gross Floor Area of approximately 8,200 m². The Industrial Land is held under Advancecon Properties which is our wholly-owned subsidiary. Please refer to Section 6.16.1 of this Prospectus for further details in relation to the Industrial Land.

3. DETAILS OF OUR IPO (CONT'D)

For the avoidance of doubt, the estimated total construction cost of the new workshop is approximately RM15.30 million of which, approximately RM14.60 million shall be funded via the proceeds from our Public Issue and the remaining cost of approximately RM0.70 million will be funded through internally generated funds. In the event that there is a shortfall from the proceeds of our Public Issue, the difference will be funded via a combination of internally generated funds and/ or bank borrowing subject to the internal cash flow requirements of our Group.

In line with the expansion of our fleet of machinery, the availability of our in-house workshop would enable us to have more flexibility and convenience for our internal servicing team to perform repair and maintenance services for our machinery and equipment on a timely basis. Currently, the repair and maintenance of our machinery and equipment are based on our manufacturers' recommended schedule for each of the machinery and equipment stated in our maintenance manual. We will engage our manufacturers for scheduled servicing of machinery and equipment that are still under the warrant validity period whilst for machinery that exceeded its warranty validity periods, our in-house maintenance team will perform such repair and maintenance services which involve minor defects and/ or minor breakdowns of our machinery and equipment at the rented workshop or at construction sites. For major maintenance and repairing services which we do not have the diagnostic tools and equipment of OEM replacement parts, we will engage external service partners to perform the repair and maintenance services at our rented workshop or at our construction sites.

We have appointed an architect, a civil and structural engineer, mechanical and electrical engineers as well as a quantity surveyor (collectively, the "Architects") for the design of the layout for the workshop. We have submitted our building plan and Kebenaran Merancang ("Development Order") to the Selangor State Authority in September 2016 and is currently pending its approval. For clarification, apart from the approval by the Selangor State Authority, the construction of new workshop also requires other necessary approvals from the relevant authority, amongst others, Jabatan Alam Sekitar Negeri Selangor, Jabatan Mineral dan Geosains, Jabatan Pengairan dan Saliran Negeri Selangor and Tenaga Nasional Berhad. Save for the approval from the Selangor State Authority, all the necessary approvals have been obtained by our Group with the latest approval was obtained from Jabatan Pengairan dan Saliran Negeri Selangor in February 2017.

As at the LPD, the approval from the Selangor State Authority on the Development Order application is still pending. Our Group expects the approval from the Selangor State Authority for the Development Order application to be obtained by end of June 2017. Upon receiving the approval for the Development Order, the evaluation process for the building plan application is expected to take an additional three (3) to six (6) months hence, our Group anticipates the final approval from the Selangor State Authority to be obtained by end of November 2017 for the construction of new workshop. In addition, the construction of the workshop is to be completed within approximately 24 months after the final approval from the Selangor State Authority is obtained.

3. DETAILS OF OUR IPO (CONT'D)

Our Group is of the view that the approval from the Selangor State Authority will be granted for the aforesaid application. In the event that the application is rejected, the Company will take necessary steps to revise the building plan so as to meet the required specifications outlined by the Selangor State Authority for the construction of new workshop in order to obtain the approval from the Selangor State Authority.

The workshop is expected to create a conducive area to ensure that our machinery and equipment are always in well-maintained condition associated with reduced downtime and to maximize machinery effectiveness. Furthermore, this in-house workshop would allow annual rental saving of approximately RM84,000 for our Group.

The construction of the workshop is also in accordance with our Group's future plans to cater for the expansion of the fleet of our machinery and equipment moving forward as set out in Sections 6.3(ii) and 6.17(ii) of this Prospectus.

The ability to expand our business operations is dependent upon our capabilities such as financial resources and physical resources for instance machinery and equipment. As such, we intend to utilise part of the proceeds from our Public Issue to finance our capital expenditures which enable us to expand our machinery and equipment fleet and to cater for the anticipated growth in our business activities. This is also expected to contribute positively to our Group's future revenue stream.

ii. Repayment of bank borrowings

We intend to utilise approximately RM12.50 million, representing approximately 22.0% of the proceeds from our Public Issue to partially repay our hire purchase payables given that hire purchase payables represent the largest component of the total borrowings of our Group. The total amount of hire purchase payables as at the FYE 31 December 2016 and as at the LPD stood at approximately RM34.49 million and RM32.02 million which accounted for approximately 40.4% and 39.5% of the total borrowings, respectively. The interest rates for these hire purchase loans ranges between 2.1% to 3.8% per annum.

For illustrative purposes only, the proposed repayment of our hire purchase payables is expected to achieve interest savings of approximately RM1.85 million based on the respective annual interest rates of our hire purchase loan agreements as at the FYE 31 December 2016. The proposed repayment of hire purchase payables will also reduce our Group's gearing ratio from 0.81 times to 0.46 times, based on our Group's borrowings as at FYE 31 December 2016 of approximately RM85.35 million and pro forma NA of RM158.52 million after taking into hire purchase payables. The effect of the proposed hire purchase payables on our financial position is set out below:-

	As at audited 31 December 2016 RM	I Upon our Listing RM	II After I and upon the utilisation proceeds RM
Borrowings	85,350,963	85,350,963	72,850,963
NA	105,620,629	162,320,629	158,520,629
Interest Expenses	5,694,133	5,694,133	3,843,540
Gearing Ratio (times)	0.81	0.53	0.46

3. DETAILS OF OUR IPO (CONT'D)

The financial position and new capital structure upon Listing are expected to improve our liquidity position to fund our future expansion as and when opportunities arise.

iii. Working capital

We intend to utilise approximately RM10.70 million, representing approximately 18.9% of the proceeds from our Public Issue to meet our working capital requirements for our Group's daily operations including, amongst others, upkeep of machinery and motor vehicles and rental of our headquarter office building and workshop. Such allocation is in tandem with our expected business expansion and growth. The breakdown of the allocation is in the manner set out as below:-

	RM'000
Upkeep of machinery and equipment which includes, maintenance costs, diesel and fuel expenses for machinery to support our current and future works that are in our pipeline	9,000
Upkeep of motor vehicles which includes, maintenance costs, diesel and fuel expenses for our motor vehicles to run our daily operations	1,400
Rental fees for our headquarter office building and temporary rented workshop* ¹	300
Total	<u>10,700</u>

Note:-

*¹ The annual rental fees of our headquarter office building is RM66,000 and the annual rental fees of our workshop is RM84,000. The estimated allocation is based on the tenure stipulated in the tenancy agreements of 24 months

The proposed utilisation of RM10.70 million for our working capital requirements will improve our cash and bank balances from approximately RM3.62 million to RM14.32 million (based on our Group's pro forma consolidated cash and bank balances as at 31 December 2016 and after taking into consideration the Public Issue and utilisation of proceeds as disclosed in Section 11 of this Prospectus). This additional working capital allocation would enhance our cash flow position and would reduce our reliance on external funding to support the expected growth in our daily operations.

iv. Estimated listing expenses

We will bear all incidental expenses and fees relating to the listing of and quotation for our entire issued share capital on the Main Market of Bursa Securities. The estimated listing expenses for our Listing are set out below:-

	RM'000
Professional fees	2,000
Regulatory authorities' fees	300
Underwriting, placement and brokerage fees	1,000
Issuing house expenses	100
Miscellaneous* ¹	400
Total estimated listing expenses	<u>3,800</u>

3. DETAILS OF OUR IPO (CONT'D)

Note:-

*1 Miscellaneous include, but are not limited to, printing and advertising fees

In the event of any excess or deficit in the actual quantum of listing expenses, such amount will be adjusted against the amount allocated to or from the working capital purposes accordingly.

For the avoidance of doubt, the estimated listing expenses as set out above do not comprise any incidental expenses and fees (i.e. placement fee, stamp duty, share transfer fees) relating to the Offer for Sale as such said expenses and fees shall be borne by the Offerors.

Pending the utilisation of proceeds from the Public Issue for the above-mentioned purposes, the proceeds would be placed as deposits with banks or licensed financial institutions, or used for investments in short-term deposits, money market or debt instruments, as our Directors may in their absolute discretion deem appropriate.

3.13 Underwriting commission, brokerage, placement fees

3.13.1 Underwriting commission

RHBIB, as our Underwriter has agreed to underwrite up to 35,000,000 Issue Shares to be made available for application by the Malaysian Public through a balloting process as well as Issue Shares reserved for application by our eligible Directors and employees. We are obligated to pay our Underwriter an underwriting commission at the rate of 1.75% of the total value of the Issue Shares to be underwritten based on the IPO Price. There will be no managing underwriting fees payable to RHBIB.

3.13.2 Brokerage fee

We will pay the brokerage fee for the Issue Shares under the Public Issue at the rate of 1.0 % of the total value of the Issue Shares based on the IPO Price in respect of all successful applications which bear the stamps of either RHBIB, a participating organisation of Bursa Securities, a member of Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association and/ or the Issuing House.

3.13.3 Placement fee

We are obligated to pay RHBIB as our Placement Agent a placement fee at the rate of 1.5% of the total value of the Issue Shares at the IPO Price to be placed out to institutional and identified investors as well as identified Bumiputera investors approved by the MITI by our Placement Agent and a placement fee at the rate of 0.50% of the total value of the Issue Shares at the IPO Price to be placed out to institutional and identified investors identified by our Company.

The placement fees to be incurred on the sale of 33,000,000 Offer Shares will be fully borne by the Offerors.

3. DETAILS OF OUR IPO (CONT'D)

3.14 Salient terms of the Underwriting Agreement

We had, on 23 March 2017, entered into an Underwriting Agreement with RHBIB as our underwriter to underwrite up to 35,000,000 Issue Shares at the IPO Price.

The following salient terms are extracted from the Underwriting Agreement. The capitalised terms and numbering references used in this section shall have the respective meaning and numbering references as prescribed thereto in the Underwriting Agreement:-

3. Conditions

3.1 The obligations of the Underwriter under this Agreement are conditional on the performance by the Company of all its obligations under this Agreement and/or upon:

3.1.1 there not being, in the opinion of the Underwriter (whose opinion is final and binding), any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial, business, operations or otherwise) of the Group, from that set forth in the Prospectus which has or will have a Material Adverse Effect in the context of the IPO, nor the occurrence of any event or the discovery of any fact or circumstances rendering inaccurate, untrue or incorrect or not complied with, any of the representations, warranties or undertakings contained in Clause 4 by the Company under this Agreement;

3.1.2 the delivery to the Underwriter:

(1) prior to the date of the registration of the Prospectus, a copy certified as a true copy by an authorised officer of the Company of all the resolutions of the Directors and the shareholders in general meeting approving this Agreement, the Prospectus, the IPO and authorising the execution of this Agreement and the issuance of the Prospectus; and

(2) a certificate, in the form or substantially in the form contained in the **SECOND SCHEDULE**, dated the date of the Prospectus signed by a duly authorised officer of the Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in Clause 3.1.1;

3.1.3 the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from the Directors of the Company as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of this Agreement that will adversely affect the performance or financial position of the Group;

3. DETAILS OF OUR IPO (CONT'D)

- 3.1.4 the IPO not being prohibited or impeded by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to SC and Bursa Securities;
- 3.1.5 the Underwriter having been satisfied that the Company has complied with and that the IPO is in compliance with the CMSA, policies, guidelines and requirements of the relevant authorities (including Bursa Securities and/or the SC) and all revisions, amendments and/or supplements thereto;
- 3.1.6 the registration with the SC of the Prospectus and such other documents as may be required in accordance with the CMSA in relation to the IPO and the lodgement of the Prospectus with the CCM on or before their release under the IPO or in accordance with the CMSA together with copies of all documents required under the CMSA;
- 3.1.7 this Agreement having been duly executed by the Parties and stamped;
- 3.1.8 the Prospectus being in form and substance satisfactory to the Underwriter and the issue of the Prospectus being not later than two (2) months from the Agreement date or such later date as the Underwriter may from time to time agree in writing*1;
- 3.1.9 the approval of Bursa Securities for the listing of and quotation for its entire enlarged issued capital being obtained on terms acceptable to the Underwriter and remaining in full force and effect and that all conditions precedent to the approval have been complied with to the satisfaction of the Underwriter and such approval has not been withdrawn;
- 3.1.10 all necessary approvals, consents or exemptions required in relation to the IPO (including but not limited to governmental approvals) having been obtained and are in full force and effect and that all conditions to the approvals (except for any which can only be complied with after the IPO has been completed) have been complied with; and
- 3.1.11 the execution of the Placement Agreement and such other agreement as may be determined by the Placement Agent are in force and not having been terminated or rescinded pursuant to the provisions thereof (whereby for the avoidance of doubt, the execution of the Placement Agreement by the Placement Agent shall be at the sole discretion of the Placement Agent).

3. DETAILS OF OUR IPO (CONT'D)

- 3.2 If any of the conditions set out in Clause 3.1 is not satisfied by the Closing Date or such later date as consented to in writing by the Underwriter, the Underwriter shall thereupon be entitled to terminate this Agreement by notice in writing to the Company and in that event except for the liability of the Company for the payment of costs and expenses as provided in Clause 13 incurred prior to the termination and any claims pursuant to Clause 4.3.1, there shall be no further claims by the Underwriter against the Company, and the Parties shall be released and discharged from their respective obligations hereunder PROVIDED THAT the Underwriter may at its absolute discretion waive compliance with any of the provisions of Clause 3 except for any conditions required by any laws, rules, regulations and guidelines or by any regulatory or governmental authorities/bodies.

For avoidance of doubt, there is no waiver from compliance with any provision of Clause 3 unless such waiver is expressed in writing and signed by the Underwriter.

- 3.3 The Underwriter shall be at its liberty to make any arrangement for its Underwriting Commitment under this Agreement to be sub-underwritten partially or entirely. Any sub-underwriting arrangements shall be at the Underwriter's expense, and upon such terms and conditions as it may deem fit, subject that such arrangements shall not affect that Underwriter's obligations hereunder, which shall remain in full force and effect notwithstanding such arrangements.

Note:-

- *1 The Company and the Underwriter had on 22 May 2017 agreed to extend the period of issuance of the Prospectus for a further period of two (2) months from 22 May 2017 or such further date as the Parties may mutually agree upon

9. TERMINATION

- 9.1 Notwithstanding anything herein contained, the Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:
- 9.1.1 there is any breach by the Company of any of the representations, warranties or undertakings contained in this Agreement in any respect; or
- 9.1.2 there is withholding of information which is required to be disclosed to the Underwriter pursuant to this Agreement, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a Material Adverse Effect on the business or operations of the Group, the success of the IPO, or the distribution or sale of the Public Issue Shares; or

3. DETAILS OF OUR IPO (CONT'D)

9.1.3 there shall have occurred, happened or come into effect any of the following circumstances:

- (a) any material change, or any development involving a prospective change, in national or international monetary, business, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or the Company or the Group, foreign exchange market or money market or with regard to interbank offer or interest rates both in Malaysia and the Company) or foreign exchange controls or the occurrence of any combination of any of the foregoing;
- (b) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Underwriter or any event or series of events beyond the reasonable control of the Underwriter;

which would have or can reasonably be expected to have, a Material Adverse Effect on or will or is likely to prejudice the business or the operations of the Company or the Group as a whole or the success of the IPO, or market conditions generally the success of the IPO, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any part of this Agreement incapable of performance in accordance with its terms; or

9.1.4 there is failure on the part of the Company to perform any of its obligations herein contained; or

9.1.5 if the Closing Date is more than two (2) calendar months from the date of this Agreement or any later date as the Company and the Underwriter may mutually agree upon, this Agreement will automatically lapse without the requirement for any notice in writing to be given to such effect and the Underwriter will be released and discharged from its obligations.

9.1.6 any approvals for the IPO is withdrawn, modified, revoked, suspended or ceases to have effect whatsoever or is varied or supplemented and/or subject to terms and conditions not acceptable to the Underwriter;

9.1.7 any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriter would have or is likely to have a Material Adverse Effect (whether in the primary market or in respect of dealings in the secondary market) on the value or the price of the Public Issue Shares. For the avoidance of doubt, if the FBM KLCI is, at the close of normal trading on Bursa Securities, on any Market Day:

3. DETAILS OF OUR IPO (CONT'D)

(i) on or after the date of this Agreement; and

(ii) prior to the Listing Date,

lower than 85%, of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;

9.1.8 the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for three (3) or more consecutive Market Days;

9.1.9 the Listing does not take place by 31 May 2017 or such other extended date as may be agreed in writing by the Underwriter and the Company;

9.1.10 any commencement of legal proceedings or action against the Company or any of its directors, which in the opinion of the Underwriter, would have or is reasonably likely to have a Material Adverse Effect or make it impracticable to market the Public Issue or to enforce contracts to transfer, allot and/or issue the Public Issue Shares;

9.1.11 if the SC or any other relevant authority issues an order pursuant to Malaysian laws such as to make it, in the opinion of the Underwriter (after consultation with the Company), impracticable to market the Public Issue or to enforce contracts to allot and transfer the Public Issue Shares;

9.1.12 there is any breach by the Company of any of its obligations under this Agreement; or

9.1.13 the Placement Agreement shall have been terminated or rescinded in accordance with its terms.

9.2 Upon such notice(s) being given under this Clause 9, the Underwriter shall be released and discharged of its obligations under this Agreement without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of its obligations and liabilities under Clause 4, any antecedent breaches and under Clause 13 for the payment of the costs and expenses already incurred up to the date of termination or in connection with such termination and for the payment of any taxes, duties or levies within seven (7) days from the date of the same being due.

4. RISK FACTORS

BEFORE INVESTING IN OUR SHARES, PROSPECTIVE INVESTORS SHOULD PAY PARTICULAR ATTENTION TO THE FACT THAT OUR COMPANY, AND TO A LARGE EXTENT OUR GROUP AND OPERATIONS, ARE GOVERNED BY THE LEGAL, REGULATORY AND BUSINESS ENVIRONMENT IN MALAYSIA IN WHICH WE OPERATE. OUR BUSINESS IS SUBJECT TO A NUMBER OF FACTORS, MANY OF WHICH ARE BEYOND OUR CONTROL.

PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, ALONG WITH THE OTHER MATTERS SET FORTH IN THIS PROSPECTUS, THE RISKS AND INVESTMENT CONSIDERATIONS AS SET OUT BELOW. PROSPECTIVE INVESTORS SHOULD NOTE THAT THE FOLLOWING LIST IS NOT AN EXHAUSTIVE LIST OF ALL THE RISKS THAT WE PRESENTLY FACE OR RISKS THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY POTENTIALLY HAVE AN ADVERSE EFFECT ON US OR OUR SHARES.

PROSPECTIVE INVESTORS WHO ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION SHOULD CONSULT A STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

4.1 Risks relating to our business and operations

4.1.1 Our operations are reliant on certain approvals, licences and permits

We are primarily involved in the provision of earthworks and civil engineering services that are bound by the rules and regulations set by government bodies such as the CIDB who governs the registration of contractors and the NWSC who regulates the water services industry under the Water Services Industry Act 2006 (Act 655). Over the past three (3) financial years up to the FYE 31 December 2016, the revenue contributed from earthworks and civil engineering services accounted for approximately 92.3%, 87.1% and 91.2% of our Group's total revenue, respectively. Please refer to Sections 6.1 and 11 of this Prospectus for further details in relation to our business activities and its respective revenue contributions.

Under Section 25(1), Part VI of the LPIP Act 1994, it is mandatory for all contractors who carry out and complete any construction works in Malaysia to be registered and hold a valid certificate of registration issued by the CIDB. There are a total of seven (7) registration grades that determine the capacity of a contractor in tendering for the value of construction work and the geographical area where the construction project operates in Malaysia, whereby Grade "7" being the registration grade that allows the contractor to tender for construction works that are of unlimited value and operate throughout Malaysia. We are currently a Grade "7" contractor registered with the CIDB and also a Grade "7" contractor registered with the CIDB under SPKK that enables us to participate in tenders called by the Government authorities that is otherwise regarded to be in the public sector.

Furthermore, our Group currently also holds Industri Perkhidmatan Air ("IPA") Permit Type C1 (Sewerage) issued by the NWSC under Section 50(1), Chapter 1, Part IV of the Water Services Industry Act 2006 (Act 655) for the construction, installation or modification to any part of a sewerage system by a contractor. Accordingly, we are able to undertake civil engineering projects which involve the construction of sewerage system.

4. RISK FACTORS (CONT'D)

The Grade "7" registered contractor certificate issued by the CIDB and the IPA Permit Type C1 (Sewerage) issued by the NWSC are key to the continuity of our core business operations. We usually renew these licences and permits on three (3) years basis which is the maximum validity tenure of these licences and permits. The list of all our approvals, major licences and permits for our business operations is set out in Section 6.10 of this Prospectus.

As stated above, the validity of these licences and permits are subject to renewal and in the event we fail to comply with the rules and guidelines issued by the governing authorities such as the CIDB and the NWSC, our licences, permits, approvals and any other relevant certificates in relation to our business operations may be revoked, suspended or not renewed. Similarly, any breach of these rules and regulations can result in penalties, fines and/ or potential criminal prosecution against our Company. Such revocation, suspension and non-renewal of our licences, permits and certificates will affect our ability to continue our business operations and hence affect our profitability.

As at the LPD, our Group has not encountered any revocation, suspension or non-renewal of our existing approvals, licences, permits and other clearances from authorities prior to expiration and have renewed our registration with the CIDB for a validity period of three (3) years from 15 June 2016 to 15 June 2019, SPKK certificate under the CIDB for a validity period of three (3) years from 3 May 2016 to 15 June 2019 as well as our IPA Permit Type C1 (Sewerage) permit for a validity period of three (3) years from 25 June 2016 to 24 June 2019.

Notwithstanding the above, there can be no assurance that our Group will be able to obtain renewals of our licences, permits and certificates in the future, especially if there are changes to the present rules, guidelines, regulations and/ or policies.

4.1.2 Our contracts are on project basis hence the absence of long-term contractual agreement with our customers

Earthworks and civil engineering services contracts are normally awarded on a project basis whereby the contracts generally range from three (3) months to five (5) years depending on the nature of construction services, size and complexity of the construction works and customers' requirements. As such, we have to bid competitively for new contracts and constantly look out for new tender opportunities. In the event that our Group is unable to secure any new contracts, our profitability, long term sustainability and business growth will be adversely impacted.

The financial performance of our Group is dependent on our ability to secure new contracts on a timely basis to sustain our order book. Our Group has undertaken 39, 25 and 27 projects involving earthworks and civil engineering services for the past three (3) financial years up to FYE 31 December 2016, respectively as disclosed in Section 11.1(a) of this Prospectus (*Review of our historical result*). Furthermore, our order book as at the LPD amounting to approximately RM572.48 million, which we expect would sustain our Group's operations for the next 24 months, the details of which are provided in Section 11.5 of the Prospectus.

4. RISK FACTORS (CONT'D)

There is no assurance that our current order book can be sustained in the future and there can be no certainty that projects from our order book may not be delayed or terminated and we may face a situation of inability to secure new contracts which in turn may result in an adverse impact on the financial performance of our Group.

4.1.3 Reliance on major customers

During the past three (3) financial years under review, the aggregate revenue contributed by S P Setia group and Eco World group accounted for approximately 55.5%, 45.9% and 42.4% of our total revenue, respectively. These customers may continue to account for similar proportion of our Group's total revenue in the near future in view of our established working relationships with both S P Setia group and Eco World group and the on-going construction projects with them. The details of our past projects as well as on-going construction projects are provided in Sections 6.1.1, 6.14 and 11.5 of this Prospectus.

Our working relationship with S P Setia group started since 1994 while we have worked with Eco World group since 2013. As mentioned in Section 4.1.2 of this Prospectus, our contracts are usually awarded on a project basis hence we encounter the risk of not having long term contractual agreements with our customers. Therefore, there is no assurance that S P Setia group and Eco World group will continue to engage us in the future. In the event that these customers terminate their business relationships with our Group, we may not be able to secure other customers who can contribute the similar proportion of the revenue on a timely basis. As such, our business operations and financial performance may be adversely affected.

Furthermore, our business operations and financial performance may be adversely affected should there be any adverse changes specific to S P Setia group and Eco World group's operations, financial performance and external factors that are beyond their internal control. This may result in the delay and/or default in their contractual payments to us and may also lead to the decline in the number of contracts to be awarded to us.

We have not experienced any default in our collections from our major customers i.e. S P Setia group and Eco World group on the amounts owing by them to us and neither have we seen any form of declined in the number of contracts awarded to us by these major customers. Notwithstanding that, there is no assurance that our financial performance and business operations will not be adversely affected by our reliance on S P Setia group and Eco World group.

4.1.4 Our construction works are dependent on the services of our subcontractors

As set out in Section 6.1.1 of this Prospectus, Our Group's core business activity and main area of expertise focus on earthworks, of which bulk of the works are usually carried out by our in-house team. However, in the event of shortage of manpower and specialised machinery and equipment, subcontractors will be engaged to carry out this particular scope of earthworks. On the contrary, we usually engage subcontractors to support our civil engineering services such as bridge construction, water supply works and sewerage system as these specialised works are not within our major core strength. Notwithstanding that, our Group undertakes the role of project manager who is responsible for the overall project management for these civil engineering services. Please refer to Section 6.1.1 of this Prospectus for further details on our business activities.

4. RISK FACTORS (CONT'D)

For the past three (3) financial years, our total subcontractor fees accounted for approximately 42.4%, 42.4% and 40.7% of our Group's total cost of sales, respectively. These subcontractors are engaged on a project basis and are appointed by our Contracts department and Project Management department.

Notwithstanding our formal contractual relationships with our subcontractors, any failure of a subcontractor to fulfil its contractual obligations may lead to damages and penalties against our Group in favour of the customer who awarded the construction project to us. Our projects may be delayed and experience cost overrun or poor quality work attributed to our subcontractors due to instances such as insufficient availability of resources during the course of construction period and poor quality deliverable.

In addition, our subcontractors are also subject to the rules and regulations governed by the regulatory body such as the CIDB and the Immigration Department of Malaysia in relation to the employment of foreign workers in the local construction industry. The non-compliance of these rules and regulations may affect their renewal of relevant registrations or licences and/ or may even lead to revocation of their registrations or licences.

As at the LPD, our Group's business operations and financial results have not been adversely affected by the failure of our subcontractors in fulfilling their contractual obligations. Nevertheless, there is no assurance that our financial performance and business operations will not be adversely affected due to poor quality deliverables of our subcontractors.

4.1.5 We are subject to the risks of possible delays in completing our construction projects

The terms of our construction projects include the agreed milestones and specific completion timeline. However, the completion of our projects may be interrupted due to unforeseen external circumstances, which are beyond our control. Any extensions of time in the completion of the projects would result in project cost overrun, attract negative feedbacks and legal uncertainties such as the possibility of enforcement of the LAD penalties by our customer. As such, the timely completion of our earthworks and civil engineering services projects is vital in maintaining our Group's financial performance and upholding our Group's reputation in the local construction industry.

As at the LPD, our Group has not experienced any failure in obtaining extension of time for our construction projects which results in LAD penalties enforced against us and we have not encountered project cost overrun that lead to an adverse impact on our business operations and financial result. Notwithstanding the above, there can be no assurance that there would not be a delay in completion of our future projects which may result in legal suits, liabilities and lower profitability that would adversely impact our Group's future earnings and reputation.

4.1.6 Our business may be affected by defects in our construction works

The nature of our Group's business exposes us to the risk of defect liability claims by our customers due to the defects which occurred in our earthworks and civil engineering services during the defect liability period. Defect liability period usually ranges between 12 to 24 months after the CPC is issued to us upon the completion of our construction works.

4. RISK FACTORS (CONT'D)

Generally, our construction projects are subject to a retention sum of 5.0% of the total contract value awarded to us, which will be set out in the contract with our customers. This retention sum serves as a security by our customer to guarantee the performance of the contractor in order to safeguard against the defects which occurred during the defect liability period in the event that we fail to satisfactorily rectify such defects. Our customer will hold the entire retention sum throughout the contract period until the issuance of the CPC, of which 50.0% of the total retention sum will be released to us together with the issuance of CPC whilst the remaining of the retention sum will be held by our customer until the end of the defect liability period. Should there be any defects occurred in our earthworks and civil engineering services due to our fault during the defect liability period, we are liable for the repair work and rectification of such defects at our cost whereby our customer will utilise the remaining retention sum to remedy such defects. As such, we may not be able to receive the remaining amount of the retention sum in full and accordingly, our financial results may be adversely impacted.

In addition, we may also be held responsible for any latent defects in our completed construction projects that had been undertaken by us. Latent defects are in its nature concealed and may not show itself for a long period of time which may be extended beyond the defects liability period. As at the LPD, we have not experienced any defects in our earthworks and civil engineering services during the defect liability period and any latent defects as mentioned above. Nevertheless, there is no assurance that the aforementioned will not occur in the future.

4.1.7 The construction projects undertaken are subject to risk of unforeseen ground conditions

Our construction projects are dependent upon the ground conditions of the construction sites and the design of our projects is highly reliant on the accuracy of soil investigation works in soil test reports done prior to the awarding of the project. The variations in ground conditions may not be thoroughly detected due to insufficient samples for soil investigation test or unexpected movements of soil conditions. As such, our construction works may encounter problems such as excessive settlement of surrounding ground or cracks in adjoining structures in the event the ground conditions are poorer than the tested or expected soil conditions.

We have not experienced any adverse ground conditions or any discrepancies between the actual ground condition and the result of soil investigation test that could adversely impact our Group's business operation and financial results. Notwithstanding the above, there can be no assurance that we will not encounter any adverse ground conditions that may impact our business operations and our customers will agree to pay additional fees to us for the additional soil investigation test due to the unforeseen ground conditions.

4. RISK FACTORS (CONT'D)

4.1.8 Our Company may be affected by the fluctuations in the prices of raw materials

Our raw materials consist of industrial diesel, precast products, quarry products, premix products and ready-mix concrete products, in which industrial diesel in particular, is a controlled item whereby its price is controlled by the Government on a weekly basis and may, to a certain extent, be affected by the fluctuation in global market prices. Over the past three (3) financial years under review, the costs of industrial diesel had accounted for approximately 55.2%, 37.5% and 32.8% of the total raw materials costs, respectively mainly due to the declining trend in average diesel price over the past three (3) years from RM2.60 per litre in year 2014, RM1.92 per litre in year 2015 and further declined to RM1.62 per litre in year 2016, despite the fluctuation in diesel usage by our Group over the past three (3) financial years under review at approximately 11.12 million litre, 12.51 million litre and 10.25 million litre, respectively.

All our raw materials are locally sourced hence in the event of a sustained increase in the prices of these raw materials in the local market or unavailability of raw materials, which may result in an increase in our operational costs or interruption to our operations which may adversely affect our financial performance.

We have neither experienced any adverse price fluctuations in the raw materials nor face shortages in raw materials during the course of our construction activities, which has an adverse impact on our Group's financial performance over the past three (3) financial years under review. However, there can be no assurance that our Group will not be exposed to the risk of price fluctuation of raw materials for our future projects.

4.1.9 Our Group's operations are dependent on our Directors and key management team

Our Group's continuous success and growth will depend upon our ability to identify, recruit and retain suitable skilled and qualified employees, including our Directors and key management team with the requisite industry experience, knowledge and expertise. Apart from Dato' Phum and Lim Swee Chai, our key management team is also equipped with extensive working experience and their respective area of expertise in handling construction projects with different requirements as well as different geographical terrains. The profiles of our Directors and key management team are set out in Section 8 of this Prospectus, respectively.

Our Executive Directors and key management team have been working in our Group for an average of 16 years. The departure of any of our Executive Directors and key management team without suitable or timely replacement may affect our future business operations, strategic direction and financial performance. The details of our Executive Directors and key management's qualified experience and their service tenure with our Group are set out in Section 6.3(i) of this Prospectus. Our Group is also dependent on our qualified and technical teams, which include our Finance department, Contracts department, Project Management department and Production and Operation department.

4. RISK FACTORS (CONT'D)

As at the LPD, our Group has not experienced any departure of our Executive Directors and key management which has an adverse effect on our business operations in the past. However, there can be no assurance that we will be successful in retaining our existing Executive Directors and key management team or there will be a smooth transition should changes occur, which may have an adverse effect on our Group.

4.1.10 Our construction works are reliant on the use of machinery and equipment

Our earthworks and civil engineering services require the use of a wide range of machinery and equipment such as excavators, bulldozers, compactors, tipper trucks and dump trucks. The number of construction projects that can be executed by our Group simultaneously at any given time is dependent upon the availability of our resources such as the availability and the condition of our machinery and equipment to carry out the construction work. The list of our machinery and equipment is set out in Section 6.16.4 of this Prospectus.

Any occurrence of unexpected breakdowns of our machinery and equipment during the construction works may delay our project timeline and affect the quality of the deliverable. This could be due to the difficulties in sourcing for replacement of suitable machinery and equipment or having the machinery and equipment repaired in time. Such incident could also lead us to incur LAD penalties to our customers according to the contract terms should there be delays in the completion of construction works.

As at the LPD, we have not experienced any major breakdown of our machinery and equipment that cause adverse impact in terms of financial, litigation and/ or safety to our Company and employees. Nevertheless, there can be no assurance that there will be no occurrence of unexpected breakdowns of our machinery and equipment during the course of construction works and there is no assurance that such occurrence will not happen and result in delay to our project timeline and affect the quality of the deliverable.

4.1.11 Our Group is exposed to borrowings and financing risks

Our Group's ability to expand our business operation is dependent upon continued capital expenditures, which include the purchase of heavy machinery and equipment. As such, we will need to raise sufficient financing, either in the form of external debt financing, equity financing and/ or internally generated cash flows. Although we have not encountered any difficulties with the financial institutions nor default in any of our borrowings repayment, there can be no assurance that we will not be exposed to financing risks in which the loans are not made available to us, and if available, such financing terms are favourable to us.

As at FYE 31 December 2016, our total borrowings amounted to approximately RM85.35 million, translating to gearing ratio of 0.81 times. These banking facilities consist of, amongst others, term loans, hire purchase credit facilities, revolving credits, bank overdrafts, invoice financing and bankers' acceptances, which are all interest bearing, denominated in RM and borrowed from locally-based financial institutions. Any additional borrowings and/ or unexpected increase in interest rates may result in an increase in interest expense, which may affect our profitability and debt repayment obligations. There can be no assurance that we are able to meet our borrowing commitments imposed by the financial institutions in the event of any unexpected increase in interest rates in the future.

4. RISK FACTORS (CONT'D)

In July 2016, Bank Negara Malaysia reduced the Overnight Policy Rate ("OPR") by 25 basis points to three percent (3.0%). As at 31 December 2016, our Group had approximately RM50.86 million of floating rate borrowings. As such, the newly effective OPR could reduce our costs of borrowings and may not adversely impact our Group's financial position, cash flow and profitability.

Our credit facilities may also be subject to review by the financial institutions and contain certain covenants, which may limit our operating and financing flexibility. Such covenants include the review of management accounts as and when requested by the financial institutions, consents and approvals by the financial institutions regarding any management structure change in the board or major shareholders and to maintain gearing ratio as specified by the financial institutions. Any act or omission by us that breaches such covenants may give the financial institutions the rights to withdraw or terminate the relevant credit facilities. This may in turn result in a cross default of other credit facility agreements.

We have neither breached such covenants of any of our facility agreements in the past nor experienced any increase in interest rates, which has an adverse impact on our financial performance in the past. Nevertheless, there can be no assurance that our performance will not be adversely affected should we breach such covenants of any of our facility agreements.

4.1.12 Our Group may suffer inadequate insurance coverage on our assets, construction projects and employees

Due to the nature of our business which entails risks such as mechanical or vehicular failure, exposure to accidents incurred by our entities and employees as well as theft of our machinery and equipment, we seek insurance coverage for our construction projects, assets and our employees. Our insurance policies provide coverage against burglary, fire, theft, mobile and heavy equipment, workmen's compensation and contractors' all risks. As at the LPD, the sum insured of our insurance policies that we have taken up amounting to approximately RM1,070.32 million.

There can be no assurance that our insurance coverage is sufficient to cover all the liabilities incurred and as such, claims for damages arising from our Group's operations may have an adverse impact on our Group's financial condition or results of operations.

Furthermore, there is no assurance that our insurance premiums payable in relation to the above insurance policies or additional insurance required by specific project will not increase. Such increase or mandatory imposition in insurance premium costs may affect our financial results.

We have in the past, made several insurance claims due to machinery theft as well as damages to third party property and machinery and equipment resulted from inclement weather as set out in Section 4.2.5 of this Prospectus at our construction sites of which, were fully or partially reimbursed by our insurers, hence do not result in an adverse impact on our financial performance. Please refer to Section 11.3 of this Prospectus for further details of our past insurance claims. Notwithstanding the above, there is no assurance that all liabilities suffered will be sufficiently covered by insurance and as such, claims for damages arising from our Group's operations which are not adequately covered by our insurance coverage may have an adverse impact on our Group's financial condition or operations.

4. RISK FACTORS (CONT'D)

4.1.13 We are subject to property investment risk

In April 2013, we commenced a new business segment, namely property investment due to our working relationship with our clients, who are property developers, whereby we were offered to acquire the properties from the respective property developers at various discounted prices. As disclosed in Section 6.1.2 of this Prospectus, it is our Group's intention to hold the investment properties for a period of three (3) to five (5) years for the purpose of capital appreciation of approximately 10.0% (which translates to an average capital gain of approximately two percent (2.0%) per annum over a period of five (5) years) and then dispose for capital gain once the investment properties have achieved our investment objective on a case to case basis, where possible and in the best interest of our Company. Notwithstanding the above, our Group will exercise caution in managing property investment business segment moving forward. Such intention has been enforced by our Board via our investment policy to ensure that the total asset value (i.e. cost) of our property investment business segment does not exceed 20.0% of the Group's total asset. Furthermore, pursuant to our Listing, our Board will also ensure that the total asset value (i.e. cost) of our property investment business segment does not exceed 30.0% of the Group's total enlarged NA upon Listing. As at the FYE 31 December 2016, none of our investment properties is located overseas. For the past three (3) financial years under review, the total asset value of the investment properties stood at approximately RM8.12 million, RM37.65 million and RM31.60 million, accounting for approximately 3.7%, 14.1% and 10.7% of the audited total asset, respectively and approximately 12.7% and 40.2% of the total NA for the FYE 31 December 2014 and FYE 31 December 2015, respectively and 19.9% of the total NA of RM158.52 million based on our Group's enlarged issued share capital upon Listing and after the proposed utilisation of proceeds. The increase in the percentage of the total asset value of the investment properties against the total NA in 2015 was mainly attributable to the progress billings made for the investment properties of which mainly were acquired in 2014 and 2015. The list of our investment properties is set out in Section 6.16.3 of this Prospectus.

Our Group's ability to realise the capital gains from our investment properties is dependent upon the prevailing market conditions in the local property market as well as the marketability of the properties invested. The local property market can be affected by various factors such as an increase in property overhang, economic downturns, and difficulty in obtaining financing from the financial institutions, interest rate trend and other unfavourable market conditions. Such external market conditions may also deter us from selling our investment properties at favourable prices or at all. Property is also considered as an illiquid asset that cannot be easily converted into cash. In the event our investment properties are not able to be liquidated for a long period of time, it may negatively affect our cash flows position and financial performance.

As mentioned above, it is our Group's intention to hold the investment properties for a period of three (3) to five (5) years for the purpose of capital appreciation of approximately 10.0%. This works out to an average capital gain of approximately two percent (2.0%) per annum over a period of five (5) years. Further, by venturing into the property investment business segment, our Group would have to allocate certain portions of our financial resources towards this business segment.

4. RISK FACTORS (CONT'D)

This results in possible opportunity cost to our Group should such financial resources be reinvested in our existing primary business operations of earthworks and civil engineering services which historically recorded gross profit margins of 24.8%, 22.3 and 27.3% for the past three (3) financial years under review, respectively. In addition, our Group may also forgo a potential return of approximately three percent (3.0%) to four percent (4.0%) per annum should the financial resources be placed as fixed deposit with financial institutions for a tenure of one (1) year.

As set out in Section 11.8 of this Prospectus, it is the intention of our Board's policy to recommend and distribute minimum dividends of 20.0% of our annual PAT attributable to the shareholders of our Company. The allocation of our financial resources for the acquisition of investment properties has also resulted in possible opportunity cost to our Group, which is the additional dividends that could have been possibly paid by our Group should such financial resources have not been allocated towards property investment business segment.

Although our Group has not encountered any difficulties from bearing the interest payment of the bank borrowings taken to finance the purchase of our investment properties, there is no assurance that our Group will be able to realise capital gains in the long term or generate any form of rental income from the investment properties.

4.1.14 There is no assurance that our business strategies and future plans can be successfully implemented

Our Group intends to utilise approximately 71.3% of the proceeds from our Public Issue for our current operations and future development plan, which include to further expand our business reach in the earthworks and civil engineering services market by exploring the opportunities of tendering new projects, enhance our assets capacities such as machinery and equipment, upgrading internal capabilities in human resources and to improve our operational management system plans as disclosed in Sections 3.12 and 6.17 of this Prospectus. The success of achieving our business strategies and implementing our future plans relies on market conditions, sufficient financing resources, our ability to continuously secure new projects and the efficiency of our business operations.

However, there is no assurance that all our business strategies and future plans will be successful. Furthermore, there is no assurance that the successful implementation of our future plans will improve our earnings given the anticipation of additional resources or costs to be incurred to facilitate the implementation of our business strategies.

In the event we are unable to maintain and improve our operations in tandem with the growth of our Company or if we fail to effectively manage our future investments or strategic alliances, our operations and financial position may be adversely affected.

4.2 Risks relating to our industry

4.2.1 The construction activity is dependent on the Malaysian property sector

Our business operations are dependent on the performance of the Malaysian property sector and the government infrastructure development plan as these developments create demand for earthworks and civil engineering services. All our construction projects and customers are concentrated in Malaysia.

4. RISK FACTORS (CONT'D)

The outlook of the Malaysian property sector may be affected by market risks such as the political and economic stability of the country, shortage of labour supply as well as increase in labour and raw material costs. Furthermore, the Malaysian property sector is susceptible to risks such as an increase in financing cost and fluctuating demand for real estate properties. As such, any movement and development in the local property sector and national fiscal policy will have a direct impact on our Group's performance and operations.

In addition, the Government has given priority to increase the country's infrastructure development projects, which include public transport networks in urban areas and infrastructural development in rural areas to strengthen the economic resilience of our country as presented in Budget 2016. Such infrastructure development projects have led to the increase in upcoming residential and commercial development projects that are located near to the public transport networks by property developers. As such, the demand for earthworks and civil engineering services is expected to increase correspondingly.

The Malaysian economy has registered a commendable GDP growth of 4.2% in 2016 against an estimated global growth of 3.1%. The construction industry in Malaysia is expected to benefit from government-led initiatives and spending, a favourable interest rate environment, the push by property developers to boost the sales of properties, a sustained economic growth boosting spending and investment in properties as well as steady population growth. However, there is no assurance that there will be no adverse condition affecting the performance of the local property market that can lead to instability in the construction industry in Malaysia.

4.2.2 The construction industry is exposed to political, economic and regulatory risks

The nature of our business and the local construction industry, are subject to prevailing political, economic and regulatory conditions in Malaysia. Any adverse changes in political, economic and regulatory conditions such as political uncertainties, changes in the government's policies and regulations in relation to the construction industry, prolonged and/ or widespread economic slowdown in Malaysia, weak investment sentiment in Malaysia, war, terrorism activities and riots could adversely affect our Group's operations and financial prospects.

As stated in Section 4.1.1 of this Prospectus, our construction activities are governed by several government bodies which include, but are not limited to, the CIDB and the NWSC whilst our rock blasting activities, which involve the handling and use of explosives, are governed under the Explosives Act 1957 that requires the blasting approval from the Royal Malaysia Police and the relevant state authorities.

As at the LPD, we have not experienced any adverse political, economic and regulatory changes which have an adverse impact on our business operations. Notwithstanding the above, there is no assurance that adverse political condition, cyclical change in the Malaysian economy and regulatory changes, which are beyond our control, will not adversely affect our Group's business.

4. RISK FACTORS (CONT'D)

4.2.3 The construction industry is dependent on general workers

Our earthworks services are dependent on the employment of general workers which consist of both local and foreign workers. For the past three (3) years up to 31 December 2016, our general workers stood at 113, 151 and 233, representing 55.1%, 48.9% and 55.7% of our total workforce, respectively, of which 20, 45 and 99 are foreign workers. These general workers are mainly working as our machinery operators, lorries and trucks drivers, chainmen, storekeepers and general construction workers, who own valid permits and licences to perform our construction activities.

As our Group's operations are dependent on the supply of these general workers, any shortage in its supply would adversely affect our operations. The employment of foreign workers are sourced from specific countries as determined by the Immigration Department of Malaysia, which include, amongst others, Indonesia, Nepal, Myanmar and Cambodia in the construction industry. Should the Government amend their policies and impose any restriction or limit on the number of foreign workers to be employed for construction projects, the completion of projects may be delayed, hence affecting our business operations and financial performance. Such employment risk is also extended to the home countries of the foreign workers should there be changes in their employment policies.

Furthermore, any increase in the levy for the employment of foreign workers by the Government would increase our overhead costs and affect our financial performance. In February 2016, the Government announced the increase in foreign workers' levy from the previous rate of RM1,250 per worker to RM2,500 per worker for the local construction industry. Subsequent to the feedback given by the relevant agencies in the construction industry, in March 2016, the Government has revised downward the levy from RM2,500 to RM1,850 and enforced such rate thereon. For illustration purposes, such levy hike has caused the Company to incur an additional cost of RM60,000 for a total of 100 foreign workers of our Group as at the LPD, which represents approximately 0.23% of the net profit for the FYE 31 December 2016.

Similarly, any increase in the minimum wage for the employment of local workers by the Government would increase our overhead costs and affect our financial performance. In 1 July 2016, the Government announced the new monthly minimum wage of RM1,000 per employee employed in Peninsular Malaysia from the previous monthly minimum wage of RM900 per employee. This new Minimum Wages Order 2016 however, does not impact our business operations and financial positions as all our local workers are paid more than the new monthly minimum wage.

As at the LPD, our Group has not encountered any of the rules enforcement, levy hike and/ or new minimum wage effected which have an adverse effect to our business operations and financial results. Nevertheless, there can be no assurance that we will continue to have adequate supply of general workers and any rule enforcement in relation to the employment of general workers which may not have an adverse impact on our business operations and financial results.

4. RISK FACTORS (CONT'D)

4.2.4 The construction activities are exposed to risks relating to workplace HSE

The local construction industry is bound by the laws and regulations relating to workplace safety and workers' health enacted or issued by the government bodies. The primary legislation and regulations that are applicable to our daily earthworks and civil engineering works are the Occupational Safety and Health Act 1994 (Act 514), the Factories and Machinery Act 1967 (Act 139), the Environmental Quality Act 1974 and the LPIP Act 1994.

As a construction player, we are obliged to ensure that a healthy and safe working environment is provided especially at our construction sites. The HSE risks include dust, waste and noise pollutions during rock blasting activity and any accidents as well as injury caused during the course of construction activities. Any failure to comply with the relevant HSE laws and regulations may result in penalties and closure of construction sites.

Our earthworks may be exposed to the risk of environmental damages should the erosion and sediment control plan is not properly in place. Earthworks may expose the soil to wind, rain or water which may accelerate natural erosion processes, which may lead to the erosion of mineral or organic material. Such sediments will then flow into water and causes environmental damages such as flooding and may adversely affect the freshwater ecology. As such, a proper erosion and sediment control plan are important at construction sites to prevent the occurrence of environmental damages effectively.

As at the LPD, our Group has not breached any workplace HSE matters and our existing operations are in compliance with the relevant laws and regulations. We have not experienced any incidents at our construction worksites that resulted in stop-work orders being imposed by the Occupational Safety and Health Act 1994 and any other regulatory bodies as mentioned above, which have adversely impacted our business operations.

Nevertheless, there can be no assurance that we will not be exposed to potential workplace HSE liabilities in the future. In the event of severe environment occurrence or accidents, it may lead to negative publicity and/ or suspension of our relevant licences in which, will adversely impact our reputation, business operations and financial position. There can be no assurance that our operations may not be affected due to the changes in HSE laws and regulations and the compliance with new laws and regulations may impose a significant cost to our Group.

4.2.5 Our operations may be affected by any occurrence of force majeure events such as inclement weather conditions, natural disasters and other unavoidable accidents

The nature of our business operations is susceptible to inclement weather and natural disasters which lead to the risk of site flooding, occurrence of landslide and extreme weather condition such as haze due to the fact that our operations are conducted at the construction sites. Any occurrence of force majeure events as mentioned above may prohibit us from performing our construction works and as a result, we may not be able to meet the specified timeline as set out in our project schedule. This may lead to delay in the completion of our projects and accordingly, we may be liable for the LAD penalties imposed by our customers which could lead to an adverse impact on our business operations and financial performance.

4. RISK FACTORS (CONT'D)

In the event that we have to halt our operations during adverse weather conditions or natural disasters, we are still required to incur operating expenses such as labour cost. In addition, as mentioned in Section 4.1.5 of this Prospectus, we will be liable to LAD penalties if we fail to obtain the approval for extension of time for the completion of our project from our customers. Our Group's operations and financial position may be affected should such events occurring and there is also no assurance that we will be able to record profits and have sufficient funds for our operations to recover the damages caused by such events.

Our Group had in the past encountered site flooding which resulted in damages to third party property at Setia Ecohill, Semenyih, Selangor and landslide which caused damage to our machinery and equipment at our construction site located in Nilai Impian 2, Negeri Sembilan. However, we were able to reimburse the costs incurred from these incidents by our insurers. Further details are set out in Section 11 of this Prospectus.

Save as disclosed above, we have not experienced any occurrence of force majeure events that adversely affect our business operations and financial performance in the past. Notwithstanding the above, there is no assurance we will not encounter such event and our business operations and financial performance will not be adversely affected should such events occur in the future.

4.2.6 The construction industry is highly competitive

Our Group operates in a highly competitive industry consists of local and overseas construction companies that carries the profiles of listed and non-listed companies. Competitors with significant global market presence and strong financial resources base may enter into the local construction industry should they obtain the necessary licenses and permits with relevant human capital, in which it will intensify the competition. Competitions from other players may reduce our market shares thereby affecting our market position and financial performance.

As at 31 December 2016, there were a total of 79,883 contractors registered with the CIDB, of which 6,868 were registered with Grade "7" reported by the Construction Statistic Quarterly Bulletin – 2016 by CIDB Malaysia. Generally, the barrier to entry into the earthworks and civil engineering services market in Malaysia is relatively high as it requires high capital investment to purchase heavy machinery and equipment for instance, excavators, trucks, bulldozers and other related machinery in order to undertake large-scale projects. In addition, the earthworks and civil engineering services requires technical skillsets and investment in specialised machinery and equipment whereby main contractors may not necessary possess the relevant technical skillset and the necessary machinery and equipment.

We have not experienced any major competitions from our competitors which have resulted in an adverse effect on our financial performance in the past. Nevertheless, there can be no assurance that we will be able to compete effectively with current and new entrants into the construction industry in the future and the competition in the tendering process will not intensify in the future.

4. RISK FACTORS (CONT'D)

4.3 Risks relating to our IPO**4.3.1 Our IPO may not result in active liquid market for our Shares**

There was no public market for our Shares prior to our Listing. Therefore, there can be no assurance that an active market for our Shares will be developed upon or subsequent to our Listing or, if developed, that such market can be sustained. Our IPO Price was determined through negotiations between our Directors, Promoters, Offerors, and RHBIB as the Principal Adviser, Underwriter and Placement Agent, after taking into consideration the factors as set out in Section 3 of this Prospectus.

There is no assurance that the market price of our Shares will not decline below the IPO Price in the future and the trading price of our Shares may not reflect our operations and financial conditions, our growth prospects and the growth prospects of the industry in which we operate. We also cannot assure that there will be no event or occurrence that will result in adverse impact on the securities markets, our industry or us at any time in which these may directly affect the trading price of our Shares.

4.3.2 The trading price and trading volume of our Shares may experience high volatility

The trading price and volume of our Shares may be highly volatile in response to various factors, which may be beyond our control and may be unrelated or disproportionate to our operating results. These factors include, but not limited to, the variations in the results of our operations due to the restrictions by the Government, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of securities listed on the regional and global equity market could be affected by external factors such as the performance of the regional and world bourses, the investors' sentiments and the inflow or outflow of foreign funds, which in turn are highly driven by the regulatory, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes and prices of securities on Bursa Securities, thus adding risks to the market price of our quoted Shares.

Although minimum public shareholding spread is required to be met by every listed entity on the Main Market of Bursa Securities, there is no assurance that our Company will continuously comply with such minimum requirements. In the event our Company fails to meet the requirement of public shareholding spread, the liquidity of our Shares will be limited and Bursa Securities may suspend the trading activity of our Shares.

4.3.3 Continued control by our Promoters and substantial shareholders

Upon Listing, our Promoters, namely Dato' Phum, Lim Swee Chai, Pham Soon Kok, Ir. Yeo An Thai, Tung Kai Hung, Lim Kok Tiong, Puah Kian Yiew, Lam Wing King, Chan Keng Kong and Yap Goon Ying, collectively hold an aggregate of 280,071,000 Advancecon Shares, representing approximately 69.7% of our enlarged issued share capital (including the pink form allocation as set out in Section 3.7.1(ii) of this Prospectus).

4. RISK FACTORS (CONT'D)

As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the voting of our shareholders, unless our Promoters are required to abstain from voting by law and/ or by the relevant guidelines or regulations.

Nevertheless, in line with the good corporate governance practice, we have appointed three (3) independent Directors, namely Yeoh Chong Keat, Mohd Zaky bin Othman and Fathi Ridzuan bin Ahmad Fauzi and established an Audit Committee to review all future transactions involving related parties whenever declared or brought to the attention of the Audit Committee, are entered into on an arm's-length basis or normal commercial terms that are not more favourable to the related parties than those generally available to third (3rd) parties and not to the detriment of our minority shareholders.

4.3.4 We may not be able to pay dividends in the future

We are a holding company and we conduct all our operations through our Subsidiaries. Accordingly, our main source of income, which is an important factor in our ability to pay dividends to our shareholders, is the receipt of dividends and other distributions to us from our Subsidiaries. It is our Board's intention to recommend and distribute minimum dividends of 20.0% of our annual PAT attributable to shareholders of our Company. This will allow our shareholders to participate in the profits of our Group. Any final dividends declared in the future are subjected to the approval of our shareholders at our annual general meeting.

Our ability to declare dividends or make other distributions to our shareholders may also be subject to restrictions contained in our existing and/ or future loan agreements, the future financial performance and cash flow position of our Group and subject to us having profits and sufficient funds which are in excess to our requirements to fund our operations, other obligations or business plans. Deterioration of these factors could have a material adverse effect on our business and inability to declare dividends to our shareholders.

There is no assurance that our Company will be able to distribute dividends to our shareholders as a result of the above-mentioned factors. There is also no assurance that we will be able to record profits and have sufficient funds for our operations, other obligations and business plans to declare dividends to our shareholders in the future.

4.3.5 Our Listing schedule may be delayed or be aborted due to unexpected circumstances

Our Listing may be delayed or aborted due to the occurrence of any one or more of the following events:-

- i. Our Underwriter exercise its right pursuant to the Underwriting Agreement, in discharging itself from its obligations thereunder;
- ii. The revocation of approvals from the relevant authorities for the Listing and/ or admission for whatever reason; and

4. RISK FACTORS (CONT'D)

- iii. We are unable to meet the public shareholding spread requirements of Bursa Securities of which at least 25.0% of our enlarged issued share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the time of our admission to the Official List.

In the event of a failure of our Listing, all monies paid in respect of any application accepted from you will be returned in full without interest within 14 days, failing which, the provision of sub-section 243(2) of the CMSA shall apply accordingly, whereby we will become liable to repay the monies together with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

4.3.6 There may be delay between our admission on the Main Market of Bursa Securities and the trading of our Shares

After we have allocated and allotted our Shares to your CDS Account with Bursa Depository, which would occur at least two (2) Market Days before the anticipated date for admission to the Official List, it may not be possible for you to immediately recover monies paid in respect of the IPO Shares from us in the event that our admission and commencement of trading on the Main Market of Bursa Securities do not occur. Delays in the admission and commencement of trading in shares on Bursa Securities have occurred in the past. In order for us to return the monies to you in respect of the IPO Shares following the allocation in Bursa Depository, a reduction of our Company's capital would be necessary. This would require the sanction of our shareholders by special resolution at a general meeting and meet the solvency requirements pursuant to Section 117(3) of the Act.

There can be no assurance that monies can be recovered within a short period of time. If such monies are not repaid within 14 days after we become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly, whereby we will become liable to repay the monies together with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

4.3.7 Any form of funds raising which may be undertaken in the future may dilute shareholders' equity interest, restricting our operations and affect the prevailing market price of our Shares

We may pursue opportunities to grow our business which requires additional funding via equity or debt financing. An issuance of Shares or other convertible securities may result in dilution of our shareholders' equity and affect the prevailing market price of our Shares, whilst an issuance of debt securities may cause restrictions being imposed such as, amongst others, maintenance of a certain level of current ratio, gearing ratio and/ or dividend payouts, servicing debt repayment obligation and limit the flexibility of planning for, or reacting to, changes in our business and industry.

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our earthwork and civil engineering services. Thus, we may need additional capital expenditure for mergers and acquisitions or investments. Any form of funds raising through an issuance of Shares or other convertible securities which are not made on a pro-rate basis to existing shareholders will dilute shareholders' equity interest and affect the prevailing market price of our Shares.

4. RISK FACTORS (CONT'D)

4.3.8 Forward-looking statements

Certain statements, facts and data in this Prospectus are based on historical reports prepared by independent market researcher, and government agencies, which may not be reflective of the future results whilst others, are forward-looking in nature, which are subject to uncertainties and contingencies. We believe that the sources of the information are appropriate and reliable and that we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted.

All forward-looking statements are based on assumptions made by our Group and although we believed to be reasonable at that time, are subject to known and unknown risks, uncertainties and other factors (which comprise of the risk factors set out in Section 4 of this Prospectus), which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In this Prospectus, the words "believe", "expect", "consider", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could", and similar expressions, as they relate to our Company or our Group or our Directors, are intended to, among others, identify forward-looking statements. Such statements reflect the current views of our Directors with respect to, among others, future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Prospectus. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Prospectus should not be regarded as a representation or warranty by our Company that the plans and objectives of our Group will be achieved.

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5. OUR GROUP

5.1 Our history and key milestones

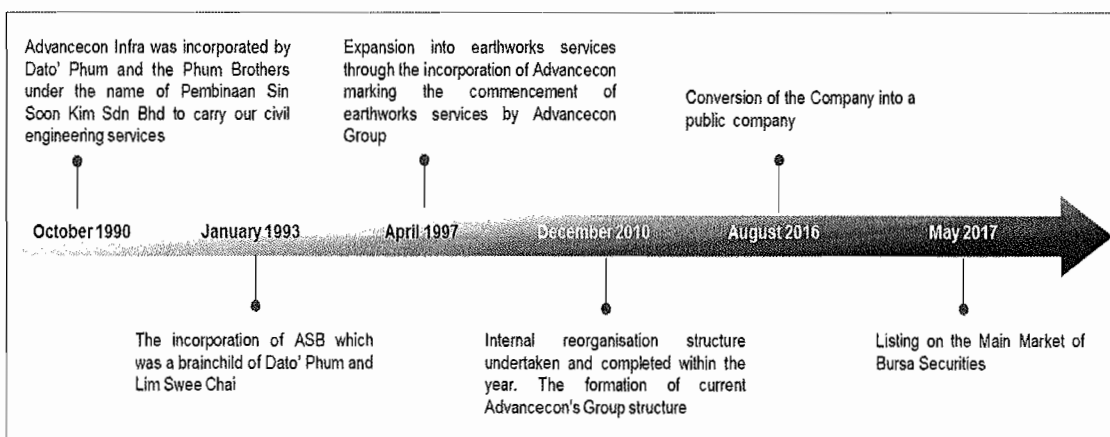
5.1.1 Our history

Overview of our Group

Our Company was incorporated in Malaysia on 9 April 1997 under the Act as a private limited company under the name of Advance Earthworks Sdn Bhd. On 23 September 2010, our name was changed to Advancecon Holdings Sdn Bhd and subsequently on 23 August 2016, we were converted into a public limited company and assumed our present name of Advancecon Holdings Berhad to facilitate our Listing.

We are currently an investment holding company and through our Subsidiaries, we are primarily involved in the provision of earthworks and civil engineering services, which are the subsectors of the construction industry operating in Malaysia. Our Group is also involved in the provision of support services such as sale of construction materials, hiring of machinery and ad-hoc general construction services or daywork. For the avoidance of doubt, earthworks and civil engineering services contributed approximately 92.3%, 87.1% and 91.2% of our Group's total revenue over the past three (3) financial years up to the FYE 31 December 2016, respectively whilst the revenue contributions of our support services were approximately 7.7%, 12.9% and 8.8% of our Group's total revenue over the past three (3) financial years up to the FYE 31 December 2016, respectively. In April 2013, we commenced a new business segment, namely property investment which mainly arose due to our working relationship with certain of our clients, who are property developers, whereby we are offered to acquire properties at discounted prices. However, we have only generated revenue from this business segment since 2016, which contributed approximately 0.01% of our Group's total revenue for the FYE 31 December 2016. Please refer to Sections 6.1 and 11 of this Prospectus for further details in relation to our business activities and its respective revenue contributions.

The evolution of Advancecon Group since its inception up to the internal reorganization exercise is depicted in the following diagram:-



5. OUR GROUP (CONT'D)

The inception of our Group

Our Group's business operations began with the incorporation of Pembinaan Sin Soon Kim Sdn Bhd (now known as Advancecon Infra) in October 1990 by our Group Chief Executive Officer, namely Dato' Phum together with the Phum Brothers. The incorporation of the company was initiated by Dato' Phum's desire to expand his family business, which was then solely involved in the business of providing hiring services of heavy machinery i.e. backhoes to the local construction industry players under the name of Soon Kim Trading & Engineering, a company owned by Dato' Phum and the Phum Brothers.

Under the stewardship of Dato' Phum, Pembinaan Sin Soon Kim Sdn Bhd (now known as Advancecon Infra) commenced its business operations in October 1990 and was primarily engaged in the provision of civil engineering services undertaking small construction works such as the constructions of main drains and road works on a subcontract basis. During the same year in 1990, Dato' Phum met Lim Swee Chai through a construction project undertaken by Pembinaan Sin Soon Kim Sdn Bhd (now known as Advancecon Infra) which was awarded by Teguh Kaya Sdn Bhd, a construction company where Lim Swee Chai was the Contracts Manager then. During his tenure with Teguh Kaya Sdn Bhd, Lim Swee Chai was responsible for the overall contract management functions of the construction projects undertaken by Teguh Kaya Sdn Bhd and is experienced in contract management functions such as tendering, subcontracting, contracts administration works and procurement functions. Dato' Phum then invited Lim Swee Chai to join his business as he saw Lim Swee Chai's expertise being beneficial and such collaboration would help elevate his business as Dato' Phum's expertise was focusing on the aspects of on-site construction services whilst Lim Swee Chai is experienced in contracts and office operations.

Lim Swee Chai resigned from Teguh Kaya Sdn Bhd in 1993 and together with Dato' Phum, they incorporated ASB in the same year as a stepping stone in pursuing their business career in the construction industry to undertake construction projects specialising in civil engineering segment.

In July 1994, ASB was awarded its first civil engineering contract to carry out the construction and completion of main drain, box culverts and sewerage systems for a residential development project located at Pusat Bandar Puchong, Selangor undertaken by S P Setia group, for total contract value of approximately RM18.59 million, details of which is set out in Section 5.1.2 of this Prospectus. The tenure of the entire residential development project was approximately seven (7) years and it was successfully completed in February 2001 which was within the project timeline.

During the course of our construction for the aforesaid residential development project, we encountered difficulty in sourcing for ready-mix concrete specifically for the construction of sewerage systems. Therefore in September 1994, Advancemix Sdn Bhd (now known as Advancecon Machinery) was incorporated and an in-house batching plant was then set up at Pusat Bandar Puchong, Selangor to produce and to supply ready-mix concrete to support our construction projects. With our in-house batching plant, we were able to reduce the reliance on external party in supplying ready-mix concrete which resulted in better control of our project schedule. At the same time, we also took the opportunity to supply our ready-mix concrete for the neighbouring projects located in Pusat Bandar Puchong, Selangor.

5. OUR GROUP (CONT'D)

The expansion of our business activity via the entrance of earthworks construction service

From 1994 to 1997, there was an increase in the number of our construction projects. We further noted that there was an increasing demand from our customers who requested us to also carry out earthworks while awarding us civil engineering services projects. During that initial period, we usually engage the services of subcontractors should the construction projects awarded to us involve earthworks services.

As earthworks are complementary to, and synergistic with our existing civil engineering services, Dato' Phum and Lim Swee Chai believed that the expansion of our business activities into earthworks would serve as a gateway to increase our competitiveness during the tender process as well as would uplift our profile by providing a wider range of construction services to our customers. Therefore in April 1997, we venture into the business of offering earthworks via Advance Earthworks Sdn Bhd (now known as Advancecon) and we recruited Lam Wing King, Chan Chew Lock and Cheah Keng Foo, who are equipped with the relevant expertise and technical skills in earthworks to undertake our earthworks projects.

In June 1998, ASB was awarded its first contract for earthworks and civil engineering services which involved site clearance, earthworks, turfing works, construction of road, main drain and sewerage system for a residential development project in Precinct 9 and part of Precinct 7, Putrajaya for a total contract value of approximately RM26.32 million undertaken by Setia Putrajaya Sdn Bhd. This tenure of this residential development project was approximately two (2) years and we successfully completed this construction project in August 2000, which was within the project timeline. Further details of this project are set out in Section 5.1.2 of this Prospectus.

Since the award of the first earthworks contract by Setia Putrajaya Sdn Bhd, in year 1998, our Group witnessed the increasing demand for our construction services, which consist of both earthworks and civil engineering services in nature. From 1998 to 2000, the construction projects which involve the scope of both earthworks and civil engineering services that have been awarded to us included the residential development project in Bukit Indah, Johor and a township development project in Taman Setia Indah, Johor, details of which are set out in Section 5.1.2 of this Prospectus.

Since then, our business activities involved the offering of both earthworks and civil engineering services under the umbrella of our construction activities. For the past three (3) financial years under review up to the FYE 31 December 2016, the revenue derived from the provision of our construction services under a single contract accounted for approximately 78.9%, 81.8% and 69.5% of our Group's revenue from construction services, respectively. Please refer to Section 6.1.1 of this Prospectus for further details of the revenue breakdown of our construction services.

5. OUR GROUP (CONT'D)

Since our initial venture into earthworks, we noted that the scope of earthworks is rather niche and significant to the overall general construction services as it creates the foundation and/ or platform for any form of building works or infrastructure works. Over the years, our business focus gradually shifted towards earthworks segment. For the past three (3) financial years under review up to the FYE 31 December 2016, the revenue derived from earthworks services accounted for approximately 76.8%, 73.2% and 64.2% of our Group's revenue from construction services, respectively whilst the revenue derived from civil engineering services accounted for approximately 23.2%, 26.8% and 35.8% of our Group's revenue from construction services, respectively. Please refer to Sections 6.1.1 and 11 of this Prospectus for further details of the revenue breakdown of our construction services.

Due to the nature of earthworks that requires extensive use of heavy machinery such as tipper trucks and dump trucks, in June 2001, we expanded our business activities to include support services via SK-II Tipper Truck Services to provide hiring service of tipper trucks for internal use as well as our subcontractors for our construction projects located across Malaysia. This has resulted in better coordination and management in the logistic operation of our fleet of tipper trucks and dump trucks to our construction sites.

In January 2002, we expanded our scope of earthworks services via Inspirasi Hebat to provide on-site rock crushing services resulting from rock blasting activities during the course of construction works. In July 2003, we further expanded our support services particularly in procuring and supplying construction materials via Advancecon Trading which enables us to supply construction materials to our subcontractors to cater for the needs of our construction works, thus reducing our subcontractors' reliance on third party for the supply of construction materials, in which at times, its late delivery would result in delay in the completion of our construction projects.

In December 2003, we continued to expand our earthworks capabilities via Advancecon Rock by venturing into on-site rock blasting activity. On-site rock blasting involves the blasting of rocks using explosives when hard rocks are encountered which are too large to be removed during the course of construction works. On the other hand, on-site rock crushing involves crushing of rocks into smaller pieces resulting from rock blasting activity using our mobile rock crushing machine. This segment was headed by Chan Keng Kong who was recruited in 2002. He is a licensed shotfirer to carry out rock blasting works. Prior to his recruitment, we were engaging external parties as we do not have the requisite license and internal capability in carrying rock blasting works which can only be undertaken by a qualified shotfirer licensed under the Explosives Act, 1957 by the Royal Malaysia Police. With our in-house expertise, we have better control of our project schedule while strengthening our internal capabilities.

In year 2010, as the demand for earthworks services grew, the need to centralise all our machinery and equipment started to arise as our fleets of machinery and equipment had further expanded to a total of 232 machinery and equipment. In the same year, we then sold off our batching plant located in Pusat Bandar Puchong, Selangor and Advancemix Sdn Bhd changed its name to Advancecon Machinery with its new principal activity to provide hiring services for heavy machinery such as excavators, backhoes, bulldozers and compactors for internal use. The commencement of this new activity has resulted in better coordination and maintenance system of our machinery and equipment for our construction projects until today.

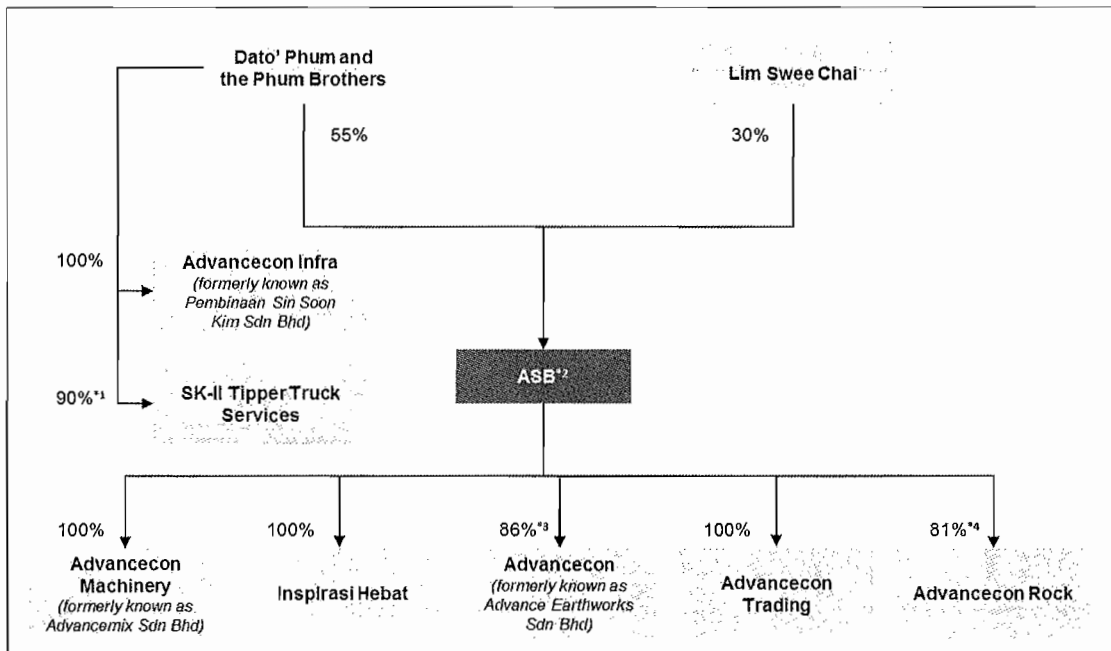
5. OUR GROUP (CONT'D)

With the formation of the aforesaid support services, which include centralised logistics operations for our fleet of machinery and tipper trucks, on-site rock crushing services, the procurement and supply of construction materials as well as in-house rock blasting services, our Group has successfully set up a comprehensive support services to complement our core business activities of earthworks and civil engineering services.

Internal reorganization exercise was initiated as part of our talent retention strategy and the formation of our current Group structure

Over the years, as our business grew from strength to strength, Dato' Phum and Lim Swee Chai noted the importance of a strong management team to strengthen our operational efficiency in order to support the continuous growth of the Group. Accordingly in year 2010, an internal reorganization exercise was initiated and as part of our talent retention strategy, besides Dato' Phum, Lim Swee Chai, Pham Soon Kok, Phum Oua and Yap Goon Ying who were already our substantial shareholders then, several key employees namely, Ir. Yeo An Thai, Tung Kai Hung, Lim Kok Tiong, Puah Kian Yiew, Lam Wing King, Chan Keng Kong and Cheah Keng Foo (Cheah Keng Foo and Phum Oua subsequently left our Group in September 2014 and December 2014, respectively) were invited to participate in the equity stake of our Group as a talent retention strategy to recognise their loyalty and contributions to the success of our Group and to ensure their continuous commitment and efforts for a sustainable growth of our Group. This talent retention strategy also forms part of the management succession planning to ensure the sustainability of the business operations of the Group. Please refer to Section 8.1.2 of this Prospectus for the details of our Promoters.

Our Group structure prior to the internal reorganisation exercise in 2010:-

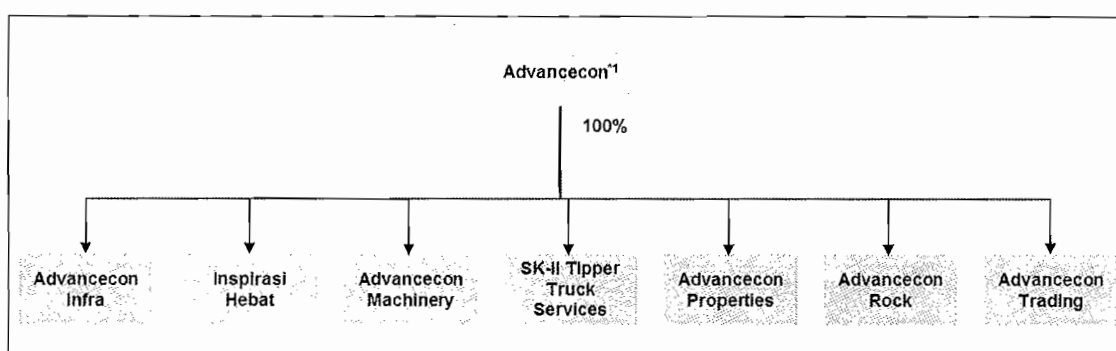


5. OUR GROUP (CONT'D)

Notes:-

- *1 The remaining 10.0% equity interest was held by Lim Chin Heng (5.0%) and Lim Hui Hoon (5.0%), respectively
- *2 The remaining 15.0% equity interest was held by Yap Goon Ying (10.0%) and Cheng Peng Sia (5.0%), respectively
- *3 The remaining 14.0% equity interest was held by Cheah Keng Foo (7.0%), Lam Wing King (7.0%), Dato' Phum, Lim Swee Chai, Pham Soon Kok and Yap Goon Ying (who held one (1) share each in Advancecon), respectively
- *4 The remaining 19.0% equity interest was held by Chan Keng Kong (15.0%), Dato' Phum (1.0%), Lim Swee Chai (1.0%), Pham Soon Kok (1.0%) and Yap Goon Ying (1.0%), respectively

Our Group structure after the internal reorganisation exercise in 2010 and up to the LPD:-



Note:-

- *1 The equity interest in Advancecon was held by our substantial shareholders, details of which are set out in Section 8.1.1 of this Prospectus.

Pursuant to the internal reorganisation exercise, Advancecon emerged and served as the holding company for all the businesses undertaken by our Group.

To further streamline the shareholdings of our substantial shareholders in our Group, our current substantial shareholders acquired all the equity interests held by ASB in our Group and accordingly, ASB ceased to be our substantial shareholder in December 2010. In accordance with good corporate governance practice and to prevent any potential conflict of interest arising in the future, our substantial shareholders, namely Dato' Phum, Lim Swee Chai and Yap Goon Ying who were also the substantial shareholders of ASB then, disposed of their respective equity interests in ASB in December 2014 with the pre-condition to the purchasers of ASB that, upon the disposal of their respective equity interests in ASB, ASB shall not be involved in any activities which will be conflicted in the business activities of our Group for a moratorium period of eight (8) years until December 2022 from the date of such disposal pursuant to the irrevocable undertaking letter executed by the purchasers of ASB dated 31 December 2014. In addition, the directors and/or shareholders of ASB shall not incorporate any new company for the purposes of entering into any projects or carry out any similar activities which are of similar business with Advancecon Group within the aforesaid moratorium period, further details of which are set out in Section 10.1.1 of this Prospectus.

5. OUR GROUP (CONT'D)

For the avoidance of doubt, upon the expiry of the moratorium period of eight (8) years in December 2022, it is at the discretion of the directors of ASB to decide on the future plan and status of the company as ASB will not be subject to the conditions as set out in the irrevocable undertaking letter dated 31 December 2014.

Notwithstanding the above, pursuant to the aforesaid irrevocable undertaking letter, the Board takes note of the following:-

- (i) As at the LPD, ASB only has one (1) on-going project with Advancecon Group, namely the Setia Eco Glades project which the expected completion date of the said project will be in August 2017;
- (ii) The shareholders of ASB have undertaken to change its company name within two (2) years from 31 December 2014, which was successfully changed on 7 September 2016 to Prize Ventures Sdn Bhd. With the change in name, it has avoided any form of confusion to Advancecon's clients. This marks the first step in eliminating any potential conflict of interest situation and/ or unnecessary perceptions that ASB is in any form, related to Advancecon Group; and
- (iii) Pursuant to the irrevocable undertaking letter, ASB will not compete with Advancecon Group in similar business activities of Advancecon Group nor incorporate new company to undertake any projects or carry out similar activities which are of similar business with Advancecon Group during the moratorium period of eight (8) years until December 2022.

In addition, as set out in Section 4.2.6 of this Prospectus, the barrier to entry into the earthworks and civil engineering services market in Malaysia is relatively high as it requires high capital investment for the machinery and equipment and specialised skillset. In view of the above, the Board is of the view that it may not be an easy route for a company which has not been undertaking any earthworks activities for a period of eight (8) years (pursuant to the irrevocable undertaking letter dated 31 December 2014), to establish its foothold in the earthworks services industry and to expand its resources in respect of technical skillset and specialised machinery to undertake earthworks related activities.

Premised on the foregoing, the Board is of the view that ASB will not pose any significant risk to Advancecon Group.

Following the successful completion of our internal reorganization structure in December 2010, Advancecon Infra has since then become our main subsidiary to undertake earthworks and civil engineering services. To further streamline our business operations of our Group, on 1 January 2015, Advancecon Infra assumed the business activities of Advancecon Rock and subsequently on 16 March 2015, Advancecon Infra assumed the business activities of Advancecon Trading to provide on-site rock blasting services and to procure and supply construction materials, respectively for the construction works undertaken by our Group. This is to centralise the rock blasting and procure and supply construction materials into Advancecon Infra, in view that these support services are complementary to the earthworks and civil engineering services undertaken by Advancecon Infra and the demand for such services are on project basis whereby not all construction projects require the services of rock blasting and our construction materials. This arrangement has resulted in overall administrative cost saving to the Group. Advancecon Rock and Advancecon Trading had since then become dormant with no new intended principal activities and plan at this juncture.

5. OUR GROUP (CONT'D)

The growth in our business was attributed to the good track record that we have established in undertaking various construction works with our customers, particularly property developers. Certain of our customers who were primarily involved in the property development activity, offered us to purchase their properties being developed by them, at discounted price due to our good working relationship maintained with them. Therefore, our Group started investing in properties since December 2007 and subsequently in April 2013, we centralised our investment properties under Advancecon Properties as our property investment arm to hold all our investment properties with the intention to explore for capital gains in the long term and to generate recurring rental income during the holding period. Please refer to Section 6.1.2 of this Prospectus for further details.

Today, we are an earthworks and civil engineering services provider, with services ranging across various earthworks and civil engineering related works such as road works, drainage works, bridge constructions, water supply works and sewerage systems. As at FYE 31 December 2016, construction services remain as our largest revenue contributors whereby the revenue contributed from earthworks services was approximately 58.6% of the total revenue of our Group whilst the revenue contributed from civil engineering services was approximately 32.6% of the total revenue of our Group. Please refer to Section 6.1 of this Prospectus for further details.

We are registered with CIDB as a Grade "7" contractor, which allows us to tender for projects that are of unlimited value in Malaysia and our registered categories are under Category B (Building) and Category CE (Civil Engineering). With the above grade and categories, we are able to tender for various types of construction works including building general works (B04), road and pavement construction (CE01), bridge construction (CE02), pilling works (CE10), soil investigation (CE12), sewerage system (CE19), general civil engineering works (CE21), civil engineering structures (CE24), rock blasting works (CE25), pre-cast concrete installation works (CE34), earthworks (CE36) and breeding pond construction (CE41). We are also a Grade "7" contractor under the SPKK, which enables us to tender for Government projects that are of unlimited value in Malaysia.

We have over the years built expertise and capabilities in earthworks and civil engineering services. Our success is attributed to our emphasis to the consistent quality in our delivery, strong technical capabilities and a good market reputation, all of which are key factors towards our Group's continued success moving forward. Please refer to Section 5.8 of this Prospectus for our accreditations, key awards and recognitions.

5.1.2 Key project milestones of our Group

The list of our key project milestones are set out below:-

Year	Projects details
July 1994	<ul style="list-style-type: none"> Secured the first civil engineering services contract for the residential development project in Pusat Bandar Puchong, Selangor with total contract value of approximately RM18.59 million from Wawasan Indera Sdn Bhd (S P Setia group).^{*1}
August 1997	<ul style="list-style-type: none"> Secured civil engineering services contracts for the residential development project in Bukit Indah, Johor with total contract value of approximately RM20.45 million from Bukit Indah (Johor) Sdn Bhd (S P Setia group).^{*1}

5. OUR GROUP (CONT'D)

Year	Projects details
	Our Group was subsequently awarded earthworks and civil engineering services contracts for this residential development project since 1999 with total contract value of approximately RM43.63 million.* ¹
June 1998	<ul style="list-style-type: none"> Secured the first earthworks and civil engineering services contracts for the residential development project in Precinct 9 and part of Precinct 7, Putrajaya with total contract value of approximately RM26.32 million from Setia Putrajaya Sdn Bhd.*¹
March 2000	<ul style="list-style-type: none"> Secured earthworks and civil engineering services contracts for the township development project in Taman Setia Indah, Johor with total contract value of approximately RM116.20 million from Setia Indah Sdn Bhd (S P Setia group).¹ <p>This construction project has marked significant breakthrough of our Group in achieving contract value of more than RM100.00 million.</p>
June 2002	<ul style="list-style-type: none"> Secured earthworks and civil engineering services contracts for the township development project in Bandar Setia Alam, Selangor with total contract value of approximately RM230.82 million from Bandar Setia Alam Sdn Bhd and Bandar Eco-Setia Sdn Bhd (S P Setia group).¹
June 2007	<ul style="list-style-type: none"> Secured earthworks and civil engineering services contract for the mixed development projects in Setia Eco Gardens, Johor with total contract value of approximately RM58.07 million from Kesas Kenangan Sdn Bhd (S P Setia group).¹
August 2009	<ul style="list-style-type: none"> Secured earthworks and site clearance contract for Tanjong Agas Supply Base and Marine Services project in Tanjong Agas, Pahang with total contract value of approximately RM34.51 million from Putrajaya Perdana Construction Sdn Bhd.*¹
September 2009	<ul style="list-style-type: none"> Secured earthworks and civil engineering services contracts for the mixed development project in Bandar Amanjaya, Sungai Petani, Kedah with total contract value of approximately RM32.07 million from Paramount Property (Utara) Sdn Bhd (Paramount Corporation Berhad group of companies).¹
December 2009	<ul style="list-style-type: none"> Secured earthworks and civil engineering services contracts for the housing development project in Bandar Coalfield, Selangor with total contract value of approximately RM41.46 million from KL-Kepong Country Homes Sdn Bhd (Kuala Lumpur Kepong Berhad group of companies).¹
August 2011	<ul style="list-style-type: none"> Secured earthworks and civil engineering contracts in Cyberjaya, Selangor for total contract value of approximately RM42.90 million from Setia Haruman Sdn Bhd.
July 2012	<ul style="list-style-type: none"> Secured earthworks contract for the housing development in Setia Eco-Glades, Cyberjaya Selangor with total contract value of approximately RM59.68 million from Setia Eco-Glades Sdn Bhd (S P Setia group).
October 2012	<ul style="list-style-type: none"> Secured earthworks and site clearance contracts for the township development project in Setia Ecohill, Semenyih, Selangor with total contract value of approximately RM199.48 million from Setia Ecohill Sdn Bhd (S P Setia group).

Note:

*¹ Projects awarded before 2011 (prior to the completion of our internal restructuring exercise in 2010) were secured by ASB

Our order book status as at the LPD amounting to approximately RM572.48 million which would sustain the Group's operation for another 24 months. Please refer to Sections 6.1.1 and 11.5 for the lists of our construction projects completed for the past three (3) years and the ongoing construction projects currently undertaken by our Group.

5. OUR GROUP (CONT'D)

5.2 Share capital

As at the LPD, our issued share capital are set out below:-

Share capital	No. of Shares	Amount RM
Issued	312,079,000	31,207,900

The details of the changes in our issued share capital since our incorporation and up to the LPD are set out below:-

Date of allotment	No. of Shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
09.04.1997	3	Cash	Incorporation	3
19.06.1997	499,997	Cash	Allotment of shares	500,000
29.12.2010	748,316	Cash	Allotment of shares	1,248,316
19.07.2016	12,483,160 ^{*2}	Subdivision of shares	Not applicable	1,248,316
19.07.2016	299,595,840 ^{*3}	Bonus issue	Capitalisation of reserves	31,207,900

Notes:-

*1 None of the Shares were issued at a discount, on special terms or instalment payment terms

*2 Number of subdivided shares

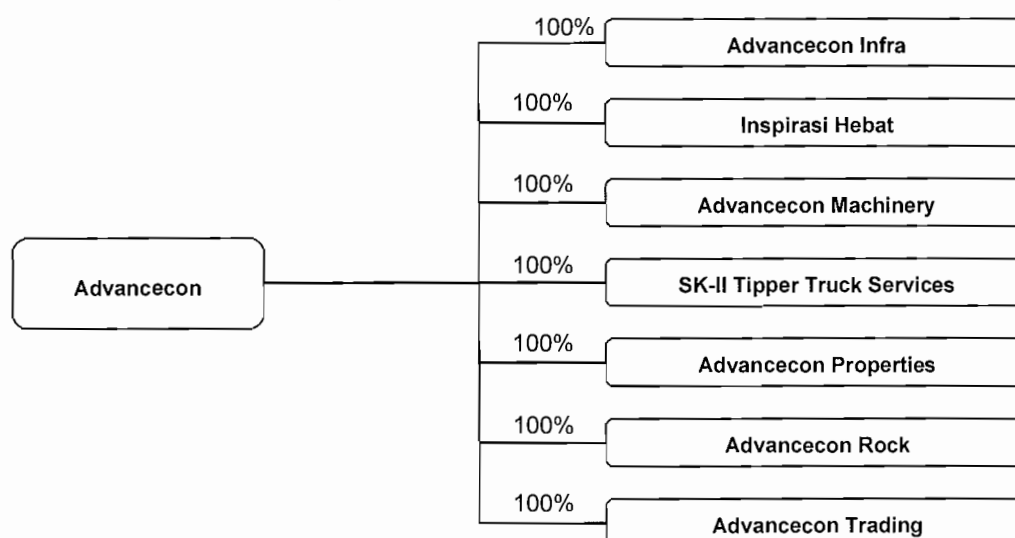
*3 Number of shares issued pursuant to bonus issue

Upon completion of our IPO, our enlarged issued share capital will increase to RM87,907,900 comprising 402,079,000 Advancecon Shares.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company.

5.3 Corporate structure

All our Subsidiaries are wholly-owned by our Company and the present corporate structure is diagrammatically illustrated as below:-



5. OUR GROUP (CONT'D)

The details of our Subsidiaries and their respective principal activities are set out below:-

Subsidiaries	Date and place of incorporation	Issued share capital RM	Principal activities
Advancecon Infra (Company No.: 206362-K)	15.10.1990 Malaysia	10,000,000	Engaged in the business of providing earthworks and civil engineering services and sale of construction materials
Inspirasi Hebat (Company No.: 382993-V)	09.04.1996 Malaysia	100,000	Engaged in the business of providing on-site rock crushing services
Advancecon Machinery (Company No.: 315552-U)	13.09.1994 Malaysia	500,000	Engaged in the business of providing earth-moving machinery for hire
SK-II Tipper Truck Services (Company No.: 444538-D)	25.08.1997 Malaysia	300,000	Engaged in the business of providing tipper trucks for hire
Advancecon Properties (Company No.: 1024903-V)	20.11.2012 Malaysia	800,000	Engaged in the business of property investment
Advancecon Rock (Company No.: 614298-A)	06.05.2003 Malaysia	500,000	Dormant since January 2015 ^{*1}
Advancecon Trading (Company No.: 594538-P)	02.10.2002 Malaysia	1,000,000	Dormant since November 2015 ^{*2}

Notes:-

*1 Previously engaged in the business of providing rock blasting services. The Board will commence voluntary winding up proceedings in June 2017

*2 Previously engaged in the business of sale of construction materials. The Board will commence voluntary winding up proceedings in June 2017

Save as disclosed in Section 5.1.1 above, there were no changes in our business activities and the types of services rendered by us since the commencement of our Group's business up to the LPD.

5. OUR GROUP (CONT'D)

5.4 Subsidiaries

5.4.1 Advancecon Infra

i. Background and principal activities

Advancecon Infra was incorporated in Malaysia under the Act on 15 October 1990 as a private limited company under the name of Pembinaan Sin Soon Kim Sdn Bhd. On 22 September 2010, Advancecon Infra assumed its current name. It is principally engaged in the business of providing earthworks and civil engineering services and sale of construction materials. It commenced operations on 15 October 1990.

Advancecon Infra was previously wholly-owned by Dato' Phum and the Phum Brothers and subsequently became our wholly-owned subsidiary pursuant to the internal reorganisation exercise undertaken in 2010.

ii. Share capital

As at the LPD, the details of the issued share capital of Advancecon Infra are set out below:-

Share capital	No. of shares	Amount RM
Issued	10,000,000	10,000,000

The changes in the issued share capital of Advancecon Infra since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
15.10.1990	4	Cash	Incorporation	4
18.02.1993	120,000	Cash	Allotment of shares	120,004
31.12.2001	400,000	Cash	Allotment of shares	520,004
09.03.2005	1,000,000	Cash	Allotment of shares	1,520,004
20.11.2015	8,479,996	Cash	Allotment of shares	10,000,000

Note:-

*1 None of the shares were issued at a discount, on special terms or instalment payment terms

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Advancecon Infra.

5. OUR GROUP (CONT'D)

iii. Shareholder and directors

Advancecon Infra is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

iv. Subsidiary and associated companies

As at the LPD, Advancecon Infra does not have any subsidiary or associated company.

5.4.2 Inspirasi Hebat

i. Background and principal activities

Inspirasi Hebat was incorporated in Malaysia under the Act on 9 April 1996 as a private limited company. It is principally engaged in the business of providing on-site rock crushing services. It commenced operations on 7 January 2001.

Inspirasi Hebat was previously a wholly-owned subsidiary of ASB and subsequently became our wholly-owned subsidiary pursuant to the internal reorganisation exercise undertaken in 2010.

ii. Share capital

As at the LPD, the details of the issued share capital of Inspirasi Hebat are set out below:-

Share capital	No. of shares	Amount RM
Issued	100,000	100,000

The changes in the issued share capital of Inspirasi Hebat since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
09.04.1996	2	Cash	Incorporation	2
07.01.2002	99,998	Cash	Allotment of shares	100,000

Note:-

*1 None of the shares were issued at a discount, on special terms or instalment payment terms

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Inspirasi Hebat.

iii. Shareholders and directors

Inspirasi Hebat is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

5. OUR GROUP (CONT'D)

iv. Subsidiary and associated companies

As at the LPD, Inspirasi Hebat does not have any subsidiary or associated company.

5.4.3 Advancecon Machinery

i. Background and principal activities

Advancecon Machinery was incorporated in Malaysia under the Act on 13 September 1994 as a private limited company under the name of Advancemix Sdn Bhd. On 23 September 2010, Advancecon Machinery assumed its current name. It is principally engaged in the business of providing earth-moving machinery for hire. It commenced operations on 13 September 1994.

Advancecon Machinery was previously a wholly-owned subsidiary of ASB and became our wholly-owned subsidiary pursuant to the internal reorganisation exercise undertaken in 2010. In 2010, Advancecon Machinery changed its principal activity to provide hiring services for heavy machinery such as excavators, backhoes, bulldozers and compactors for internal use.

ii. Share capital

As at the LPD, the details of the issued share capital of Advancecon Machinery are set out below:-

Share capital	No. of shares	Amount RM
Issued	500,000	500,000

The changes in the issued share capital of Advancecon Machinery since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
13.09.1994	2	Cash	Incorporation	2
24.12.1996	99,998	Cash	Allotment of shares	100,000
13.12.1997	100,000	Cash	Allotment of shares	200,000
06.03.2012	50,000	Cash	Allotment of shares	250,000
11.11.2015	250,000	Cash	Allotment of shares	500,000

Note:-

*1 None of the shares were issued at a discount, on special terms or instalment payment terms

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Advancecon Machinery.

5. OUR GROUP (CONT'D)

iii. Shareholder and directors

Advancecon Machinery is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

iv. Subsidiary and associated companies

As at the LPD, Advancecon Machinery does not have any subsidiary or associated company.

5.4.4 SK-II Tipper Truck Services

i. Background and principal activities

SK-II Tipper Truck Services was incorporated in Malaysia under the Act on 25 August 1997 as a private limited company under the name of Megahprise Jaya Sdn Bhd and subsequently changed its name to A.D. Marketing Sdn Bhd on 22 January 1998. On 15 May 2001, SK-II Tipper Truck Services assumed its current name. It is principally engaged in the business of providing tipper trucks for hire. It commenced operation on 29 June 2001.

SK-II Tipper Truck Services was previously 90.0% held by Dato' Phum and the Phum Brothers and the remaining 10.0% equity interest was held by Lim Chin Heng and Lim Hui Hoon with 5.0% equity interest each. SK-II Tipper Truck Services subsequently became our wholly-owned subsidiary pursuant to the internal reorganization exercise undertaken in 2010.

ii. Share capital

As at the LPD, the details of the issued share capital of SK-II Tipper Truck Services are set out below:-

Share capital	No. of shares	Amount RM
Issued	300,000	300,000

The changes in the issued share capital of SK-II Tipper Truck Services since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
25.08.1997	2	Cash	Incorporation	2
29.06.2001	299,998	Cash	Allotment of shares	300,000

Note:-

*1 None of the shares were issued at a discount, on special terms or instalment payment terms

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SK-II Tipper Truck Services.

5. OUR GROUP (CONT'D)

iii. Shareholders and directors

SK-II Tipper Truck Services is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

iv. Subsidiary and associated companies

As at the LPD, SK-II Tipper Truck Services does not have any subsidiary or associated company.

5.4.5 Advancecon Properties

i. Background and principal activities

Advancecon Properties was incorporated in Malaysia under the Act on 20 November 2012 as a private limited company under the name of Desa Kuasa Sdn Bhd. On 17 April 2013, Advancecon Properties assumed its current name. It is principally engaged in the business of property investment. It commenced operations on 5 April 2013.

ii. Share capital

As at the LPD, the details of the issued share capital of Advancecon Properties are set out below:-

Share capital	No. of shares	Amount RM
Issued	800,000	800,000

The changes in the issued share capital of Advancecon Properties since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
20.11.2012	2	Cash	Incorporation	2
03.07.2013	499,998	Cash	Allotment of shares	500,000
11.11.2015	300,000	Cash	Allotment of shares	800,000

Note:-

^{*1} None of the shares were issued at a discount, on special terms or instalment payment terms

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Advancecon Properties.

iii. Shareholders and directors

Advancecon Properties is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

5. OUR GROUP (CONT'D)

iv. Subsidiary and associated companies

As at the LPD, Advancecon Properties does not have any subsidiary or associated company.

5.4.6 Advancecon Rock

i. Background and principal activities

Advancecon Rock was incorporated in Malaysia under the Act on 6 May 2003 as a private limited company. It was principally engaged in the business of rock blasting services. It commenced its operations on 29 December 2003.

Advancecon Rock was previously 81.0% owned by ASB and the remaining 19.0% equity interest was held by Chan Keng Kong (15.0%), Lim Swee Chai (1.0%), Dato' Phum (1.0%), Yap Goon Ying (1.0%) and Pham Soon Kok (1.0%) who are also our Promoters and substantial shareholders. Subsequently in 2010, Advancecon Rock became our wholly-owned subsidiary pursuant to the internal reorganisation exercise.

Advancecon Rock has ceased its rock blasting services business in January 2015 as this business activity was assumed by Advancecon Infra on 1 January 2015. It is currently a dormant company with no intended business activity and plan as at the LPD.

ii. Share capital

As at the LPD, the details of the issued share capital of Advancecon Rock are set out below:-

Share capital	No. of shares	Amount RM
Issued	500,000	500,000

The changes in the issued share capital of Advancecon Rock since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration* ¹	Nature of transaction	Cumulative issued share capital RM
06.05.2003	2	Cash	Incorporation	2
29.12.2003	499,998	Cash	Allotment of shares	500,000

Note:-

*1 None of the shares were issued at a discount, on special terms or instalment payment terms.

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Advancecon Rock.

5. OUR GROUP (CONT'D)

iii. Shareholders and directors

Advancecon Rock is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

iv. Subsidiary and associated companies

As at the LPD, Advancecon Rock does not have any subsidiary or associated companies.

5.4.7 Advancecon Trading

i. Background and principal activities

Advancecon Trading was incorporated in Malaysia under the Act on 2 October 2002 as a private limited company. It was principally engaged in the business of sale of construction materials. It commenced its operations on 1 July 2003.

Advancecon Trading was previously a wholly-owned subsidiary of ASB and subsequently became our wholly-owned subsidiary pursuant to the internal reorganisation exercise undertaken in 2010.

Advancecon Trading has ceased its operation since November 2015 as this business activity was assumed by Advancecon Infra on 16 March 2015. It is currently a dormant company with no intended business activity and plan as at the LPD.

ii. Share capital

As at the LPD, the details of the issued share capital of Advancecon Trading are set out below:-

Share capital	No. of shares	Amount RM
Issued	1,000,000	1,000,000

The changes in the issued share capital of Advancecon Trading since its incorporation up to the LPD are set out below:-

Date of allotment	No. of shares allotted	Consideration ^{*1}	Nature of transaction	Cumulative issued share capital RM
02.10.2002	2	Cash	Incorporation	2
01.07.2003	99,998	Cash	Allotment of shares	100,000
03.08.2006	200,000	Cash	Allotment of shares	300,000
07.08.2012	700,000 ^{*2}	Bonus issue	Not applicable	1,000,000

Notes:-

*1 None of the shares were issued at a discount, on special terms or instalment payment terms

*2 700,000 shares issued pursuant to bonus issue

5. OUR GROUP (CONT'D)

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Advancecon Trading.

iii. Shareholder and directors

Advancecon Trading is our wholly-owned subsidiary and its directors are Dato' Phum and Lim Swee Chai.

iv. Subsidiary and associated companies

As at the LPD, Advancecon Trading does not have any subsidiary or associated company.

5.5 Restructuring Exercise

In conjunction with, and as an integral part of our listing of and quotation for the entire issued share capital of our Company on the Main Market of Bursa Securities, our Company has undertaken the Restructuring Exercise prior to the Listing involving the following:-

5.5.1 Subdivision of Shares

Our Company had, on 19 July 2016, implemented a subdivision of shares of every one (1) existing ordinary share of RM1.00 each into ten (10) ordinary shares of RM0.10 each. Accordingly, all 1,248,316 ordinary shares of RM1.00 each in the issued and paid-up capital of our Company were subdivided into 12,483,160 ordinary shares of RM0.10 each, credited as fully paid up.

Upon completion of the subdivision of our shares, the authorised capital of our Company, which was RM5,000,000 divided into 5,000,000 ordinary shares of RM1.00 each, was altered by subdividing the 5,000,000 ordinary shares of RM1.00 each into 50,000,000 Advancecon Shares.

5.5.2 Increase in authorised share capital

Our Company had, on 19 July 2016 after the subdivision of shares, implemented an increase in authorised share capital of our Company from RM5,000,000 divided into 50,000,000 Advancecon Shares to RM50,000,000 divided into 500,000,000 Advancecon Shares by the creation of 450,000,000 new Advancecon Shares.

Upon completion of the increase in authorised share capital, the authorised share capital of our Company was increased from RM5,000,000 divided into 50,000,000 Advancecon Shares to RM50,000,000 divided into 500,000,000 Advancecon Shares.

5.5.3 Bonus issue

Our Company had, on 19 July 2016, implemented a bonus issue involving the issuance of 299,595,840 new Advancecon Shares which were credited as fully paid-up, on the basis of 24 new Advancecon Shares ("Bonus Shares") for every one (1) existing Advancecon Share held after the subdivision of shares ("Bonus Issue").

The Bonus Issue was effected by way of capitalisation of RM29,959,584 from our Company's retained earnings account.

Upon completion of the Bonus Issue, our issued and paid-up share capital increased from RM1,248,316 comprising 12,483,160 Advancecon Shares to RM31,207,900 comprising 312,079,000 Advancecon Shares.

5. OUR GROUP (CONT'D)

5.6 Listing Scheme

Subsequent to the Restructuring Exercise and in conjunction with our Listing, our Company will undertake the Listing Scheme comprising the following:-

5.6.1 Public Issue

We will undertake a public issue of 90,000,000 new Advancecon Shares, representing approximately 22.4% of our enlarged issued share capital, at the IPO Price to be allocated in the following manner:-

i. Malaysian Public via balloting

30,000,000 Issue Shares, representing approximately 7.5% of our enlarged issued share capital will be made available for application by the Malaysian Public through a balloting process, of which 15,000,000 Issue Shares, representing approximately 3.7% of our enlarged issued share capital are allocated to Bumiputera investors which include individuals, companies, societies, co-operatives and/or institutions;

ii. The eligible Directors and our employees who have contributed to the success of our Group

5,000,000 Issue Shares, representing approximately 1.2% of our enlarged issued share capital will be reserved for application by our eligible Directors and our employees who have contributed to the success of our Group in recognition of their efforts and supports contributed to our Group. The allocation is set out below:-

- (a) 1,000,000 Issue Shares, representing 0.2% of our enlarged issued share capital will be allocated to our eligible Directors; and
- (b) 4,000,000 Issue Shares, representing 1.0% of our enlarged issued share capital will be allocated to our employees who have contributed to the success of our Group;

iii. Private placement

55,000,000 Issue Shares, representing approximately 13.7% of our enlarged issued share capital will be made available for application in the manner as set out below:-

- (a) Private placement to institutions and identified investors

37,000,000 Issue Shares, representing approximately 9.2% of our enlarged issued share capital to be allocated by way of private placement to institutional and identified investors; and

- (b) Private placement to identified Bumiputera investors approved by the MITI

18,000,000 Issue Shares, representing approximately 4.5% of our enlarged issued share capital to be allocated by way of private placement to identified Bumiputera investors approved by the MITI.

5. OUR GROUP (CONT'D)

Our Issue Shares will rank *pari passu* in all respects with our existing Advancecon Shares including voting rights, except that the new Advancecon Shares will not be entitled to any dividends, rights, allotments or other forms of distribution made prior to the date of allotment of the said Issue Shares.

Upon completion of the Public Issue, our enlarged issued share capital will increase from RM31,207,900 comprising 312,079,000 Advancecon Shares to RM87,907,900 comprising 402,079,000 Advancecon Shares.

5.6.2 Offer for Sale

The Offerors will offer for sale of 33,000,000 Offer Shares, representing approximately 8.2% of our enlarged issued share capital, at the IPO Price by way of private placement to identified Bumiputera investors approved by the MITI.

The Offer Shares will rank *pari passu* in all respects with our existing issued ordinary shares, including voting rights and rights to all dividends and distributions that may be declared, paid or made subsequent to the date of transfer thereof.

5.6.3 Listing of and quotation for our Shares

Upon completion of the Public Issue and the Offer for Sale, our Company shall be admitted to the Official List and our entire enlarged issued share capital of RM87,907,900 comprising 402,079,000 Advancecon Shares shall be listed and quoted on the Main Market of Bursa Securities.

5.7 Capital expenditures and divestitures

Save as disclosed below, our Group did not incur any capital expenditures and divestitures (including interests in other corporations) for the past three (3) financial years up to the LPD:-

	←-----FYE 31 December-----→						January 2017 up to LPD	
	2014		2015		2016		RM'000	Quantity
	RM'000	Quantity	RM'000	Quantity	RM'000	Quantity	RM'000	Quantity
Expenditures, At Cost								
Acquisition of machinery in relation to the business	39,158	77	10,151	31	24,633	59	6,783	23
Acquisition of investment properties ¹¹	2,186	10	29,829	11	6,655	1	1,534	-
Divestitures, At Selling Price								
Disposal of machinery in relation to the business	3,748	23	1,460	11	7,695	56	218	4
Disposal of investment properties	-	-	-	-	7,200	1	1,150	1

Note:

¹¹ the expenditures incurred for the acquisition of investment properties in each financial years also include, amongst others, the progress billings made for all the investment properties held under the Group during the respective financial years, whilst the number of investment properties acquired for each financial years is determined based on the date of the respective sales and purchase agreement of the investment properties

5. OUR GROUP (CONT'D)

Over the past three (3) financial years under review up to the LPD, our capital expenditures were mainly focused on the acquisition of machinery for our business operations and to cater for our on-going construction projects. The acquisition of machinery which mainly consists of 48 units of excavators, 15 units of bulldozers and 83 units of dump trucks were to support our increase in construction activities.

In addition, the main purpose of the above acquisitions of the investment properties were to explore the opportunities in reaping capital gains in the long term and to generate recurring rental income during the holding period. For the avoidance of doubt, the capital expenditures for the acquisitions of investment properties in January 2017 up to the LPD are the payments made for the progress billings incurred for the investment properties held by our Group, details of which are set out in Sections 6.1.2 and 6.16 of this Prospectus.

Our capital divestitures for the past three (3) financial years under review up to the LPD were mainly on the disposal of machinery for our business operations which was in line with our replacement practice whereby we intend to replace with new machinery that comes with higher capacity models to enhance our operational efficiency to cater for our construction projects. We have disposed of our machinery, which mainly consist of 32 units of excavators, seven (7) units of lorries and 24 units of tipper trucks. Further, we have disposed of one (1) unit of investment property in 2016 located at Petaling Jaya, Selangor and one (1) unit of investment property in 2017 located at Bukit Indah, Johor Bahru.

All of the capital expenditures listed above were primarily financed through our internally generated funds and/ or bank borrowings.

5.8 Accreditation, key awards and recognition

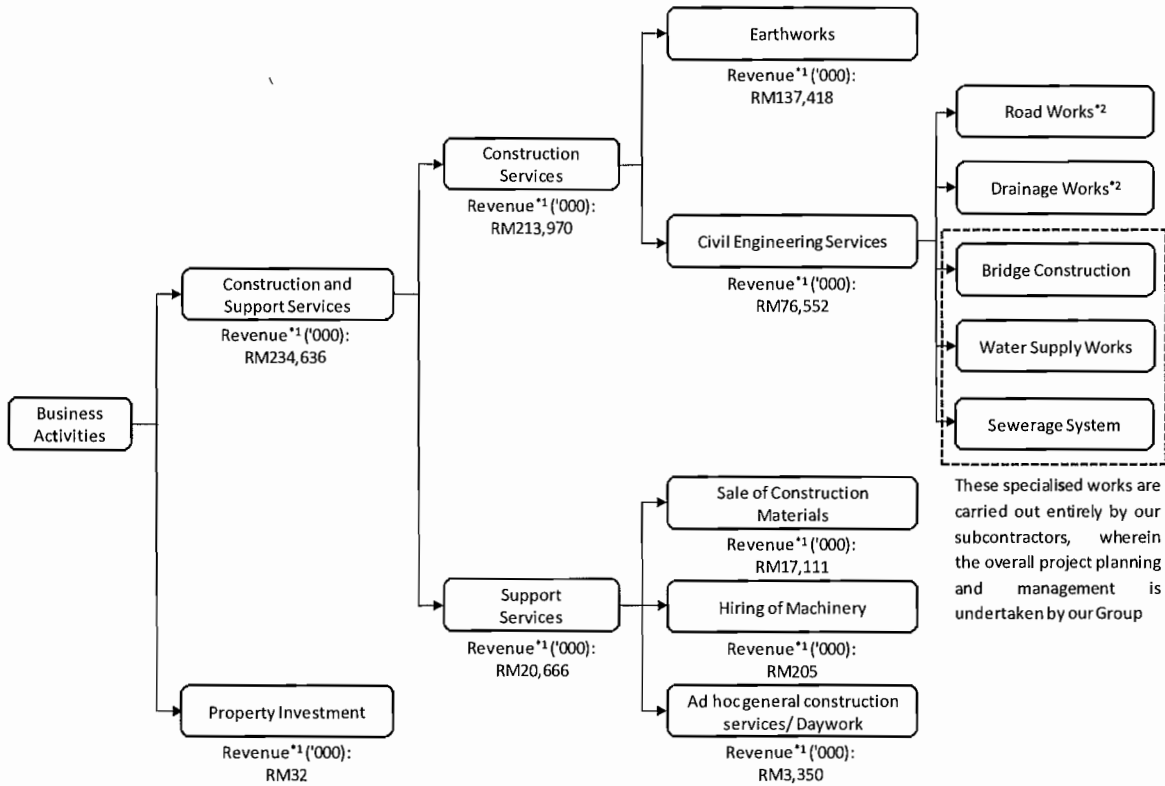
Our commitment to excellence and achievements are evidenced by the accreditation and recognition as set out below:-

Year	Accreditation, awards and certifications
2009	<ul style="list-style-type: none"> Our Group was accredited with ISO 9001:2008 by IEC
2012	<ul style="list-style-type: none"> Our Group was awarded the Golden Bull Award 2012 by Nanyang Siang Pau as one (1) of the 100 Outstanding small and medium-sized enterprises Award
2013	<ul style="list-style-type: none"> Our Group was awarded the Asia Success Inc Award 2013 under the category of 'Super Brand' by Asia Success Award Inc Magazine which recognises the corporate branding established by enterprises
2014	<ul style="list-style-type: none"> Our Group was awarded the 'Golden Eagle Award 2014' under the category of 'Eminent Eagle' by Nanyang Siang Pau which acknowledge our dedication for excellence as small and medium-sized enterprises in Malaysia Our Group Chief Executive Officer namely, Dato' Phum, on behalf of Advancecon Infra, was awarded the 'Honesty Enterprise Award 2014" under the category of 'Honesty Enterprise' by The 13th Asia Pacific International Honesty Enterprise Keris Award 2014 which recognizes us for carrying out business operations in honest manner
2016	<ul style="list-style-type: none"> Our Group was qualified for Bronze Award under the category of Human Resources Best Practices on the 16th Malaysia HR Awards by the Malaysian Institute of Human Resource Management which recognises our human resource best practices and management as well as our efforts and commitments in enhancing our human talents and development

6. BUSINESS OVERVIEW

6.1 Business activities

The following is a diagrammatic representation of our Group's operational structure:-



Notes:-

*1 Based on the latest audited consolidated financial statements of our Group for the FYE 31 December 2016

*2 Only certain portions of these specialised works are carried out by our subcontractors

We are primarily involved in the provision of earthworks and civil engineering services, which is a sub-sector of the construction industry in Malaysia. In a snapshot, earthworks relate to activities conducted to prepare a platform or embankment which is subsequently used as a base for construction of a building or any structure whilst civil engineering involves engineering activities for the construction of infrastructures such as roads, drains, bridges, water reticulations and reservoirs, and sewerage systems. The construction services business contributed approximately RM184.34 million, RM230.34 million and RM213.97 million or approximately 92.3%, 87.1% and 91.2% to our Group's total revenue for the past three (3) financial years under review.

We are also involved in the provision of support services such as sale of construction materials, hiring of machinery and ad hoc general construction services/ daywork, contribution of which was approximately RM15.47 million, RM33.97 million and RM20.67 million or approximately 7.7%, 12.9% and 8.8% to our Group's total revenue for the past three (3) financial years under review.

6. BUSINESS OVERVIEW (CONT'D)

In April 2013, we commenced a new business segment, namely property investment which mainly arose due to our working relationship with certain of our clients, who are property developers, whereby we are offered to acquire properties developed by them at discounted prices. It is our Group's intention to hold the investment properties for a period of three (3) to five (5) years for the purpose of capital appreciation of approximately 10.0% (which translates to an average capital gain of approximately 2.0% per annum over a period of five (5) years) and then dispose for capital gain once the investment properties have achieved our investment objective on a case to case basis.

As our core expertise remains in the provision of earthworks, our Board has set an investment policy to ensure that the asset value of our property investment business segment does not exceed 20.0% of the Group's total asset. In any event, the expansion of this business segment will be monitored and carried out strictly in accordance to our Group's investment policy. For the avoidance of doubt, none of our investment properties are located overseas. As at the FYE 31 December 2016, the total asset value (i.e. cost) of the investment properties stood at approximately RM31.60 million, accounting for approximately 10.7% of our latest audited total asset.

The revenue of each of our business segment based on the audited consolidated financial statements of our Group (after inter-company elimination) for the past three (3) financial years up to the FYE 31 December 2016 is set out below:-

	<-----FYE 31 December----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Construction and support services	199,809	100.0	264,307	100.0	234,636	100.0
Construction services	184,341	92.3	230,338	87.1	213,970	91.2
Earthworks	141,610	70.9	168,621	63.8	137,418	58.6
Civil engineering services	42,731	21.4	61,717	23.3	76,552	32.6
Support services	15,468	7.7	33,969	12.9	20,666	8.8
Sale of construction materials	15,208	7.6	30,108	11.4	17,111	7.3
Hiring of machinery	33	- ^{*1}	259	0.1	205	0.1
Ad hoc general construction services/ daywork	227	0.1	3,602	1.4	3,350	1.4
Property investment	-	-	-	-	32	-^{*1}
	199,809	100.0	264,307	100.0	234,668	100.0

Note:-

*1 Negligible

6. BUSINESS OVERVIEW (CONT'D)

6.1.1 Construction and support services

6.1.1(a) Construction services

We undertake a wide range of earthworks and civil engineering services in Malaysia. We are registered with the CIDB and hold a Grade "7" licence. Such licence allows us to tender for projects with unlimited value in Malaysia and our registered categories are under Category B (Building) and Category CE (Civil Engineering). We are also a Grade "7" contractor registered with CIDB under SPKK that enables us to tender for Government projects with unlimited value.

Equipped with the above licences and certifications, we are able to tender for various types of construction works including building works (B04), road and pavement construction (CE01), bridge and jetty construction (CE02), piling works (CE10), soil investigation (CE12), sewerage system (CE19), general civil engineering works (CE21), tower structures (CE24), rock blasting works (CE25), pre-cast concrete installation works (CE34), earthworks (CE36) and water retaining structures (CE41).

Notwithstanding the foregoing, our current scope of construction works mainly entails earthworks and civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage system. Further description of our licences is set out below:-

Code	Specialisation	Description
B04	Building works	Such category allows us to construct any buildings and plants
CE01	Road and pavement construction	Such category allows us to construct, maintain and repair road and pavement including road shoulder and walkway
CE02	Bridge and jetty construction	Such category allows us to construct, maintain and repair bridges, flyover and similar structures
CE10	Piling works	Such category allows us to carry out the installation of all types of piling
CE12	Soil investigation	Such category allows us to conduct soil investigation and all field tests for determining the classification, strength and soil composition
CE19	Sewerage system	Such category allows us to carry out any construction, installation or modification to any part of a sewerage system
CE21	General civil engineering works	Such category allows us to carry out the construction, maintenance and repair of all civil engineering construction
CE24	Tower structures	Such category allows us to carry out the construction and maintenance of tower structures such as telecommunication towers, transmission towers, pylons and chimneys
CE25	Rock blasting works	Such category allows us to carry out rock blasting works for the preparation of a construction site

6. BUSINESS OVERVIEW (CONT'D)

Code	Specialisation	Description
CE34	Pre-cast concrete installation works	Such category allows us to install pre-cast reinforced concrete elements
CE36	Earthworks	Such category allows us to carry out earthworks such as cut, fill, transport, spread, level and compact of soil
CE41	Water retaining structures	Such category allows us to construct water retaining structures for construction industry

Furthermore, our Group currently also holds the IPA Permit Type C1 (Sewerage) issued by NWSC under Section 50(1), Chapter 1, Part IV of the Water Services Industry Act 2006 (Act 655) for the construction, installation or modification to any part of a sewerage system.

We usually obtain our tender opportunities in the construction projects via invitation from project principals whose projects require a combination of earthworks and civil engineering services. Since our earthworks and civil engineering services are mostly negotiated as a combined contract, these services are performed in a continuous sequence whereby earthworks are undertaken first whilst civil engineering services are executed subsequently. Notwithstanding the foregoing, we also have the flexibility to be able to deliver earthworks contracts or civil engineering contracts as standalone projects.

For investors' information, approximately 76.7% our earthworks and civil engineering services are negotiated as a combined contract package (the aforesaid 76.7% was arrived at based on the total revenue contribution from the combined earthworks and civil engineering contracts amounting to approximately RM482.65 million over total construction contracts amounting to approximately RM628.65 million for the past three (3) financial years under review). However, to a lesser extent, our construction projects may be procured as a standalone earthworks contract or civil engineering contract. Revenue derived from our three (3) categories of construction contracts for the past three (3) financial years up to the FYE 31 December 2016 are set out below:-

Categories of construction contracts	-----FYE 31 December----->								
	<-----2014----->			<-----2015----->			<-----2016----->		
	Number of projects	Revenue derived RM'000	%	Number of projects	Revenue derived RM'000	%	Number of projects	Revenue derived RM'000	%
Earthworks and civil engineering contracts	24	145,432	78.9	16	188,427	81.8	16	148,792	69.5
Earthworks		102,709	55.7		130,632	56.7		99,814	46.6
Civil engineering services		42,723	23.2		57,795	25.1		48,978	22.9
Earthworks standalone contracts	14	38,901	21.1	8	37,989	16.5	9	37,604	17.6
Civil engineering standalone contracts	1	8	~1	1	3,922	1.7	2	27,574	12.9
Total	39	184,341	100.0	25	230,338	100.0	27	213,970	100.0

6. BUSINESS OVERVIEW (CONT'D)

Note:-

*1 Negligible

As set out in the table above, our combined earthworks and civil engineering contracts constituted the largest portion in terms of composition percentage over total construction contracts, recording at approximately 78.9%, 81.8% and 69.5% for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Due to easier coordination for our clients, our construction contracts are usually awarded to us on a combined contract basis. Our scope of work in such contract usually covers the construction of a platform or embankment (part of earthworks) and the construction of roadways and drainage (part of civil engineering services).

The total number of construction contracts undertaken by our Group was 39, 25 and 27 for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Even though the total number of projects decreased from 39 in the FYE 31 December 2014 to 25 and 27 in the FYE 31 December 2015 and the FYE 31 December 2016, the revenue contribution from those projects increased from RM184.34 million in the FYE 31 December 2014 to RM230.34 million in the FYE 31 December 2015 before reduced to RM213.97 million in the FYE 31 December 2016.

For the avoidance of doubt, the overall increase in our construction services revenue despite the lower number of construction contracts undertaken by our Group was mainly attributable our Group's ability to secure projects with higher contract value in recent years. For instance, we managed to secure our second largest contract to-date which is the Tropicana Aman project with a contract value of RM136.52 million on April 2015 and other construction contracts with contract value exceeding RM50 million such as the Setia Ecohill 2 project with a contract value of RM53.10 million in March 2016 and the Bukit Jalil project with a contract value of RM63.00 million in May 2016. The aforementioned trend recorded by our Group is also in line with our future plans to place greater emphasis on bidding for large-scale construction projects which require the combination of earthworks and civil engineering services with contract value exceeding RM50 million. We believe such projects will generate higher revenue to our Group and further raise our business profile in the industry as an earthwork specialist. Further details on our future plans and strategies and notable earthworks and/ or civil engineering projects are set out in Sections 6.17 and 11.3(i)(a) of this Prospectus.

Further breakdown on the composition of earthworks and civil engineering services for our Group's construction contracts or construction services business for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 is set out below:-

	<-----FYE 31 December----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Construction services						
Earthworks	141,610	76.8	168,621	73.2	137,418	64.2
Civil engineering services	42,731	23.2	61,717	26.8	76,552	35.8
	184,341	100.0	230,338	100.0	213,970	100.0

6. BUSINESS OVERVIEW (CONT'D)

As set out in the table above, earthworks contributed approximately 76.8%, 73.2% and 64.2% to our Group's revenue from construction services business for the past three (3) financial years up to the FYE 31 December 2016. As earthworks remain as our core business activity and our area of expertise, the entire scope of work for earthworks is usually carried out by our in-house team, and we generally do not engage external subcontractors to undertake such activity. However, in the event where our Group encounter shortage of manpower or machinery, then the earthworks will usually be subcontracted to third parties.

On the other hand, as some of our projects also require the provision of specialised civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage works which are not our major strength and core business to carry out in-house, these services will generally be subcontracted to external parties. Notwithstanding the foregoing, our Group still undertakes the overall project planning and management of all our subcontracted works and we are accountable to our customers for the execution of the contract and the overall management of the project.

For investors' information, the Group's recognition policy for its construction services business segment is in accordance with paragraph 25 of Malaysian Financial Reporting Standards 111 "Construction Contracts", whereby revenue on contracts is recognised based on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Under this method, contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Please refer to Section 11.3 of this Prospectus for further details on our Group's revenue recognition policy.

Further breakdown on our subcontracted work mainly comprises the following:-

Civil engineering services	Scope of subcontracted work
Road works	<ul style="list-style-type: none"> (i) Supply and laying of asphalt premix and pavement marking (ii) Installation of drainage system, utilities such as electric conduits and cabling, concrete kerbs, street lightings and metal guardrails
Drainage works	(i) Installation of concrete box culverts, U-drains, concrete pipe culverts drains or rubble stone pitching drains within site boundary
Bridge construction	(i) Construction and completion of bridge structure, including piling, substructures and superstructures of the bridge
Water supply works	(i) Supply, installation and construction of water pipeline and/ or concrete water tanks and/ or reservoirs
Sewerage system	(i) Supply and installation of sewer pipeline and/ or sewerage manhole

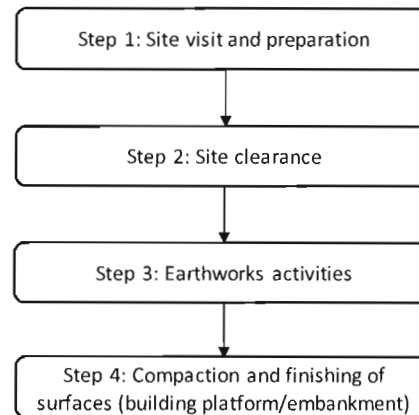
6. BUSINESS OVERVIEW (CONT'D)

Our subcontractors include local sole proprietors as well as companies which possess the required skills, machinery and/ or manpower to perform the subcontracted works. These subcontractors are selected based on, inter alia, their core expertise, our past working experience with them, their past completed jobs and their competitiveness in terms of pricing. Sub-contracting costs accounted for approximately 42.4%, 42.4% and 40.7% of our total cost of sales in the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

(i) Earthworks

Our Group's main source of income is derived from the provision of earthwork services to our customers. Earthworks constitute approximately 76.8%, 73.2% and 64.2% of our Group's revenue from construction services business for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

Our Group's earthwork activities include the removal and moving of large quantities of soil or rock from a particular area to another in order to construct a platform or embankment to be used for onward construction of building structures and roadways. In the process of constructing a platform or embankment, the following activities are involved and carried out in a series of stages:-



Step 1 – Site visit and preparation



Upon accepting the letter of award, our Group will send a land surveyor team to carry out original ground survey for the project site. It is the responsibility of the land surveyor team to ensure that the site boundaries and the original ground level condition of the project site are in accordance to the construction drawing(s) provided to us by our clients.

6. BUSINESS OVERVIEW (CONT'D)

A soil investigation report will also be prepared by a geotechnical consultant appointed by our client to determine whether the physical properties of soil around the site are conducive for the subsequent construction activities. Once the soil investigation report has been finalised by the geotechnical consultant, a copy of the report will be furnished to our Group for our evaluation of the soil condition. Our technical team will then assess the laboratory test results specified in the soil investigation report to get a better understanding of the characteristics of the soil in order to determine the construction sequence and methodology that works well with the Project Management team.



Once the project site is deemed satisfactory by our land surveyor team and technical team, we will proceed to construct the hoarding/ fencing that surrounds the perimeter of the project site. The hoarding serves to help manage access across the project site, prohibiting unauthorised people from entering the project site. The hoarding also serves as part of the site's security measure as it helps to prevent theft or vandalism on the project site. It also helps to improve privacy of the workers on site as well as the general public.

Step 2: Site clearance



Site clearance works are carried out concurrently during the construction of the hoarding surrounding the project site. The project site will be cleared of any obstacles in preparation for the earthworks to begin.

6. BUSINESS OVERVIEW (CONT'D)

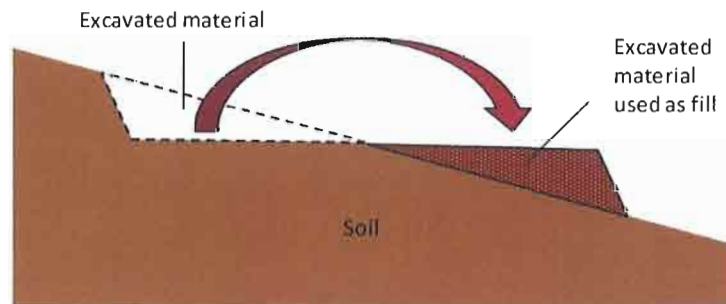
Site clearance works may include activities such as the removal of trees, bushes, stumps, roots and other objectionable material and obstructions that may interfere with the construction work on the project site.

Step 3: Earthworks activities

Upon clearing the project site, our Group will proceed with earthworks to construct a platform or embankment to be used for further construction works. This stage can be separated into three (3) major activities that run concurrently. These activities are excavation and fill, erosion and sediment control as well as rock blasting. These activities can be described as follows:-

(i) Excavation and fill

Our earthworks services mainly entail preparation of the project site of which is necessary for the construction of foundation (platform/ embankment) for building structures or roadways.



Excavation and fill to create a new flat surface

The first stage of earthworks entails the excavation and fill activity. During the excavation process, the amount of soil obtained from "cutting" the land will be placed to an area that requires filling.



Crawler excavators loading soil into a dump truck

Excavators will be used to excavate the land and dump trucks will be used to transport the soil to the fill area. Excavation shall conform to the dimensions, lines, levels, and slope as indicated on the construction drawing(s).

6. BUSINESS OVERVIEW (CONT'D)



An excavator, dump truck and back pusher are involved in the excavation and fill process

During the fill process, bulldozers and back pushers are used to spread and level the terrain to construct the platform or embankment. Throughout the excavation and fill process, all excavated material required for filling is inspected by the Superintending Officer appointed by our client to ensure the soil or fill material complies with the specification required before it is used for filling. This is to ensure that the fill material is suitable for the formation of a platform or embankment which is then used for onward construction of building structures or roadways. In the event that the fill material, which in the opinion of the Superintending Officer, does not comply with the specification required or has been damaged by weather or in any other way, shall be removed and replaced with other suitable soil.

For the avoidance of doubt, a Superintending Officer is normally appointed by the client to administer the terms and conditions of the construction contract between the client and the contractor (i.e. Advancecon Group), whereby he generally acts as the client's representative to certify, supervise and issue work instructions in accordance with the provision of the construction contract.

(ii) Erosion and sediment control plan ("ESCP")

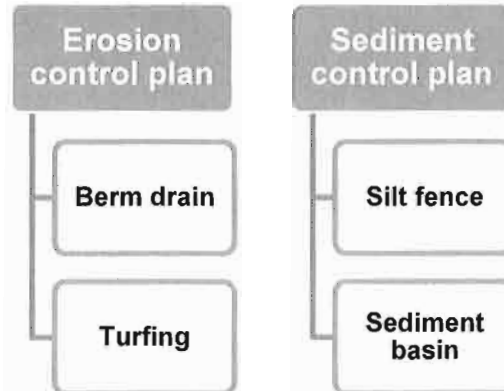
Earthworks expose the soil to wind, rain or water which accelerates natural erosion processes. As a result, during our cut and fill activities, we have to ensure that an erosion and sediment control plan is put in place to prevent the erosion of the soil at the project site.

For all our projects which involve soil disturbing activities and site preparation, an ESCP which forms part of the environmental management plan ("EMP") will be prepared upfront by a project consultant appointed by our client. For the avoidance of doubt, an EMP is a strategic plan that specify the formulation, implementation and monitoring of environmental protection measures during and after commissioning of projects, whereas an ESCP consists of both drawings and a narrative that identifies best management practices to minimize accelerated erosion and sedimentation before, during and after earthworks activities.

6. BUSINESS OVERVIEW (CONT'D)

Once the EMP which comprises the ESCP has been prepared and finalised by the project consultant, it will be submitted to the DOE for approval. Subsequent to procuring the approval of the DOE, our client will include the ESCP in the letter of award where we are engaged as their contractor to carry out earthworks activities. As such, our role is to implement the ESCP for our client and to ensure that the ESCP is effectively carried out.

The commonly used mitigating measures specified in the ESCP can be categorised as follows:-



Erosion control plan

The most effective way to minimise erosion is by keeping the exposure of soil to rain or water as little as possible at any one time and maintaining as much vegetative cover as possible. Erosion control methods may include, amongst others, the construction of berm drain and use of vegetative material (also known as turfing) to prevent erosion.



Berm drain being constructed on a slope

Berm drain is a measure that is applied when concentrated storm water flow (also known as runoff) could cause erosion as it moves down the face of a slope. The berm drain is constructed horizontally across the slope and it will direct sediment-laden water to a sediment basin (as further elaborated in the following page). Berm drain will be constructed at different sections of the slope to mitigate the effects of runoff during earthworks.

6. BUSINESS OVERVIEW (CONT'D)

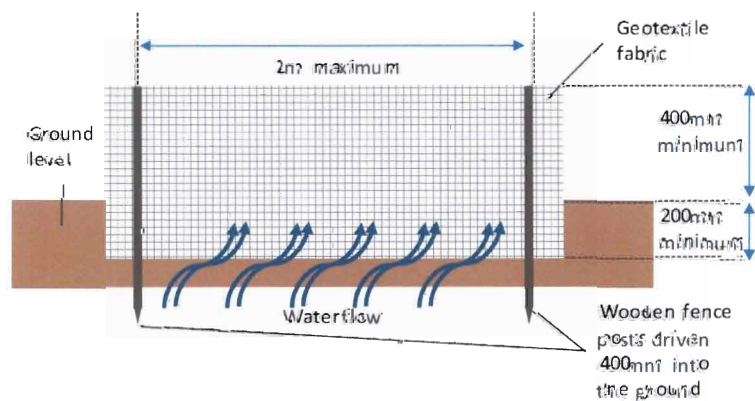


Turf being laid on a slope

The use of vegetative ground cover or turfing is an effective long term protection measure against erosion on disturbed soil. It binds soil particles together with a dense root system and reduces the volume and velocity of water flow. During the process of laying the turf, we will ensure that there is sufficient fertilisation and timely watering so as to establish a permanent ground cover.

Sediment control plan

Erosion and sediment control measure is meant to function as a system rather than operating in isolation (i.e. both erosion and sediment control are implemented concurrently as both measure compliments each other in preventing or minimising environmental effect of earthworks). As such, in addition to controlling the erosion rate through the construction of berm drain and vegetative cover, there is also a need to manage the eroded sediment from ending up in the streams, rivers or lakes and resulting in water pollution. The sediment control methods normally used by our Group include, amongst others, the construction of silt fence and sediment basin in order to keep any eroded soil on the project site so that it does not cause water pollution to the vicinity.



Front view of silt fence construction

Silt fence is generally made of non-woven geotextile fabric supported by hardwood posts driven at least 400mm into the ground. The permeability of the fabric is low in order to reduce the speed of water that can pass through the geotextile fabric as well as to prevent sediments from passing through.

6. BUSINESS OVERVIEW (CONT'D)

We usually replace the silt fence at an interval of six (6) to 12 months depending on its physical condition or when a replacement is deemed necessary by the Superintending Officer.



Silt fences are installed prior to the commencement of work on a site

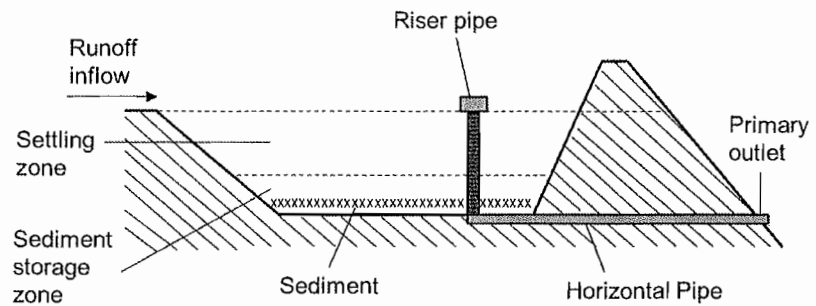
Overall, silt fence is effective when installed at sloping areas with less concentrated water flow. It also requires minimal labour for installation, low cost and has high efficiency in removing sediment.



Sediment basin located within a project site

As highlighted earlier, the eroded soil that is washed off during rain storms or the sediment-laden water that was diverted from berm drain is usually channelled into a sediment basin constructed by our Group to capture the sediment and allow it to settle out in the basin. The main purpose of a sediment basin is to prevent sediment from entering into streams, rivers or lakes that are located within close proximity to the project site which causes water pollution.

6. BUSINESS OVERVIEW (CONT'D)



Side view of a sediment basin

Based on the diagram set out above, a sediment basin generally consists of a catchment area and a primary outlet. The catchment area comprises two (2) components, namely the settling zone and the sediment storage zone. The purpose of the settling zone is to contain runoff and allow suspended sediment to settle whilst the sediment storage zone is to store settled sediment until the basin is cleaned out. The primary outlet normally consists of a vertical perforated pipe wrapped with filter cloth located at the bottom level of the basin (also known as the riser pipe) which is connected to a horizontal pipe to allow a controlled discharge of water out of the basin into the nearest main drain.

Prior to the construction of a sediment basin, the project consultant appointed by our client will firstly identify an area which runoff can be easily diverted into the sediment basin, and the usual choice of location is at the lower end of the drainage area. The project consultant will then take into account several factors in determining the design of the sediment basin such as the sizes and concentration of the sediment particles entering into the basin, rate of flow of the sediment particles as well as the travel distance of the sediment particles in order to effectively reduce the velocity of runoff and to allow the suspended sediment to settle out in the sediment basin. For the avoidance of doubt, the design requirements and specifications of the sediment basin are prepared by the project consultant appointed by our client and included in the ESCP where our role is to construct and implement the sediment basin according to the ESCP.

Throughout the implementation stage, our role is to monitor the sediment basin and conduct regular inspection of the basin for piping, seepage and other damages due to erosion. We will also ensure that there is no soil clotting around the riser pipe which would otherwise prevent proper drainage from the basin. In addition, we will remove sediment in the basin when the sediment storage zone is full by excavating the sediment to an upland area and to ensure that it does not re-enter the drainage course. The removed sediment will then be deposited on a designated dry out area for the sediment to dry out sufficiently.

6. BUSINESS OVERVIEW (CONT'D)

Subsequently, screening tests of the dried sediment are carried by the project consultant to ascertain if the sediment is contaminated waste or clean fill. In the event that the results indicated that the sediment be classified as clean fill, we will seek the permission of the Superintending Officer to reuse the sediment as fill material for our earthworks operations as part of our Group's effort to minimise wastage of natural resources.

As the sediment basin constructed by our Group is usually located at the final discharge point from our worksite, we also engage an environmental consultant to collect and test water quality samples for total suspended solids ("TSS") and turbidity on a monthly basis at each of our project site which carries out the ESCP to ensure that the water discharge from the sediment basin complies with the water quality regulations of DOE. As at the LPD, there were no findings of any non-compliance situation with regards to the water quality based on the latest quality monitoring report prepared by the environmental consultant at all of our project sites which carries out the ESCP.

(iii) Rock blasting

During excavation and fill, our Group may encounter hard materials that may interfere with our works as it is too hard to excavate. Under such circumstances, rock blasting using explosives is done and such activity is usually carried out internally for the earthworks projects undertaken by our Group. All blasting activities are conducted and supervised by our certified shotfirer; namely Chan Keng Kong, who holds a shotfirer licence issued by the Royal Malaysian Police and has training, knowledge or experience in the field of transporting, storing, handling and use of explosives.

Before the commencement of blasting operations, our shotfirer and a blasting consultant appointed by our Group shall conduct a site inspection to determine and record the existing condition of all structures likely to be affected by our blasting activity. The blasting consultant will then prepare a written report supported by photographs where necessary, coupled with details of proposed drilling, blasting and excavation technique including proposed quantity and type of explosive, blasting technique, noise insulation and vibration methods, which shall be submitted to the Minerals & Geoscience Department Malaysia for consultation. In addition, our Group will also submit the blasting permit application to the Royal Malaysian Police for their approval before our blasting operations are carried out.

Once we receive the written clearance from the Minerals & Geoscience Department Malaysia and the blasting permit from the Royal Malaysian Police, we will proceed to conduct our blasting operations. A signboard which carries the details of the blasting operations will be displayed at the blasting site one week before blasting activity. The signboard serves to notify the nearby occupants of the time of blasting, frequency, duration, purpose and precautions to be undertaken to prevent property damage as well as our representatives' contact details for enquiry purposes.

6. BUSINESS OVERVIEW (CONT'D)

During the rock blasting operation, the crawler drill is used to drill holes into the rock with proper hole alignment. Once the drilling is completed, pipes are inserted into the drilled holes to prevent any collapse of the soil caused by rainwater when necessary. Then, explosives are carefully inserted into the shot holes where our certified shotfirer, namely Chan Keng Kong, will supervise the procedure and carry out measures to ensure that the amount of explosives are rightly placed into each of the shot hole.

Sirens are sounded to warn the surrounding site workers to gather at a safety point prior to blasting. After the blast, inspections are carried out by our blasting consultant around the blasting site to ensure that all the shot holes are fired correctly. Once the blasting works have been completed, the residual rocks arising from the blasts are usually further broken down into smaller sizes using our hydraulic breakers when necessary. With the permission from the client and subject to the approval of the Superintending Officer, suitable residual rocks which have been crushed by our hydraulic breakers are excavated and used as our fill material and transported by dump truck to the fill area designated by the Superintending Officer.

The steps of our rock blasting activity is further illustrated in the photos below:-



Step 1: Area with hard material is identified during excavation and fill



Step 2: Drilling works undertaken by inserting ammonium nitrate and explosive material deep into the ground

6. BUSINESS OVERVIEW (CONT'D)



Step 3: Rock blasting

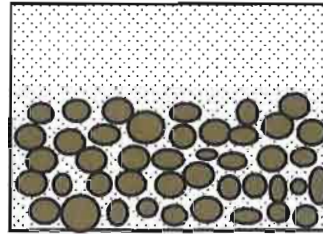


Step 4: Excavation of rocks after rock blasting

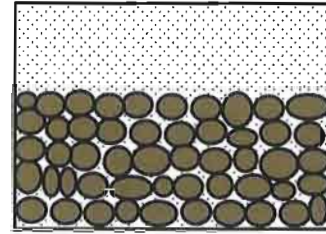
Throughout the rock blasting operation, we have ensured that our rock blasting activities are carried out in a regulated manner and that the noise emitted is at a permissible range. As part of our monitoring programme, noise level measurement is carried out by a project consultant appointed by our Group having the recognition of Laboratories Accreditation Scheme approved by the Department of Standard Malaysia for the purpose of monitoring and reporting to the project consultant appointed by our client on the blasting activities for records and monitoring purposes.

6. BUSINESS OVERVIEW (CONT'D)

Step 4: Compaction and Finishing of Surfaces



Loose soil / low density
(weak load support)



Compacted soil / high density
(better load support)

Soil density comparison between loose soil and compacted soil

The final step in our earthworks activities are the compaction and surface finishing process. Proper compaction of platform or embankment is of vital importance to the structural quality of the final surfaces. Poor compaction will result in incidences of foundation erosion, basement cracks and leaks as well as pipe leakages. Each soil has a maximum density to which it can be compacted with a given compaction effort. As such, we generally engage a soil testing laboratory to conduct soil density tests to determine the degree of compaction upon completion of the compaction process. The fill material to be compacted shall be tested upfront by the soil testing laboratory to establish the maximum value of density and the optimum moisture content for compaction. We will then verify the required field density to be achieved and make the necessary adjustments to our compaction methods.



Compactor in the process of compacting fill material

During the compaction process, the fill material is firstly deposited, spread and levelled uniformly of not more than 300mm thickness or any other thickness approved by the Superintending Officer using bulldozer and back pusher. If there is a presence of over-sized coarse material in the fill material, the over-sized coarse material shall be removed or broken down to sizes acceptable to the Superintending Officer. After spreading, the fill material will then be thoroughly compacted using vibratory roller to obtain a level, even and uniformly compacted base. Once the first layer of fill material has been evenly compacted, an in-situ test to determine the density of the fill material shall then be carried out by the soil testing laboratory.

6. BUSINESS OVERVIEW (CONT'D)

Results of in-situ test are compared to the density standard established earlier for the soil being compacted, and are used as the basis to determine whether another layer of compaction is required. In the event that the measured in-situ field density is lower than the required degree of dry density and deemed not acceptable by the Superintending Officer, the steps undertaken for the compaction of the first layer of fill material will be repeated until the density level of the fill material complies with the specification that is acceptable to the Superintending Officer.



A finished surface in accordance to the specifications in the construction drawing(s)

Once the final layer of the filling for platform or embankment has been compacted to the required degree of compaction/ density level, we will use motor grader to trim the final layer of the compacted soil to finish grade prior to the onward construction of building structures or roadways. For the avoidance of doubt, our earthworks scope of work will end pursuant to the completion of the compaction process and where the final layer of the compacted soil has been trimmed to an even surface that conform to the levels, lines, grades and contours shown on the construction drawing(s) within the tolerances specified by the Superintending Officer.

(ii) Civil engineering services

Our civil engineering services constitute approximately 23.2%, 26.8% and 35.8% of our Group's revenue from construction services business for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. The provision of specialised civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage works will generally be subcontracted to third parties as such services are not our major strength and core business to carry out in-house. We usually subcontract out certain portions of road works (as we do not own the asphalt paver set for road pavement activity) and drainage works (as drainage works are labour intensive to carry out in-house), whereas we will subcontract the entire bridge construction, water supply works and sewerage system to our subcontractors. Notwithstanding the foregoing, our Group still undertakes the overall project planning and management of all our subcontracted works and we are accountable to our customers for the execution of the contract and the overall management of the project.

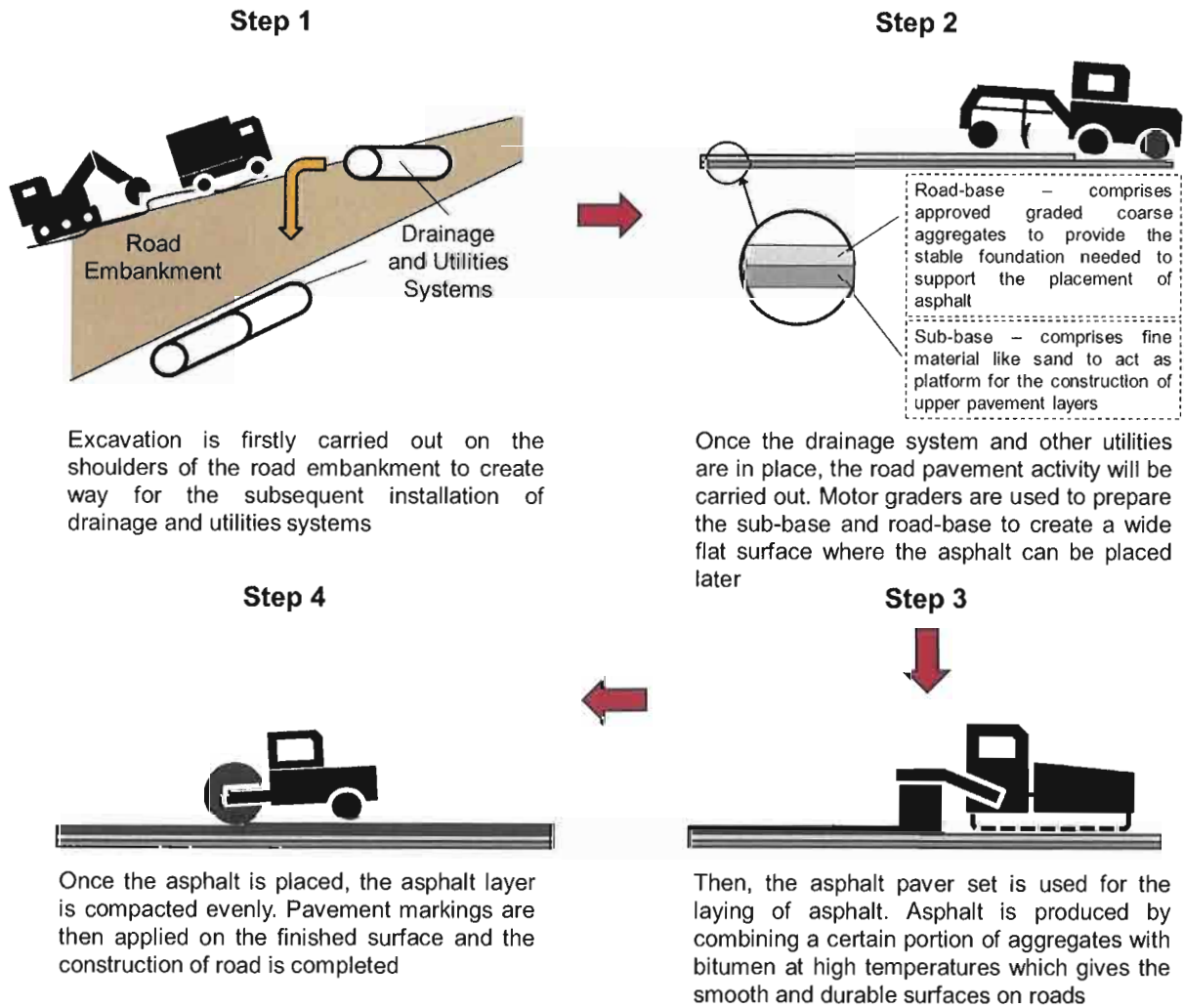
6. BUSINESS OVERVIEW (CONT'D)

(a) Road works

Road construction involves the creation of a continuous right of way across geographical obstacles and allows for the use of vehicles or foot to travel along the constructed roads. Road works generally involve activities such as excavation and installation of drainage and utilities systems, the laying of sub-base and road-base, the laying of asphalt layer, the compaction of asphalt layer and finally, road surface marking. For the avoidance of doubt, road works generally commence pursuant to the completion of earthworks (where the platform or embankment for road has been formed).

We generally carry out the entire construction process for road works and we only engage subcontractors for the supply and laying of asphalt premix (as we do not own the asphalt paver set for road pavement activity) as well as the installation of concrete kerbs, street lightings and metal guardrails which are usually carried out as a package by our subcontractors subsequent to the laying of asphalt premix.

Road construction is carried out in several stages which can be seen as follows:-



6. BUSINESS OVERVIEW (CONT'D)



Drainage system installed prior to the construction of road

Upon the completion of embankments for road works, we will carry out excavation on the shoulders of the road embankment. Once the excavation is complete, we will engage our subcontractor to install the drainage system and other utilities such as electric conduits and cabling on both sides of the road embankment. An electric conduit is a tube that is used to protect and route electrical wiring throughout the infrastructure to provide power to the electrical appliances in the vicinity such as streetlights.

Once the drainage system and other utilities are in place, the road pavement activity will be carried out. In general, the layers of road pavement include the sub-base, road base and asphaltic layer. Sub-base material is usually composed of natural sand or any other granular material whereas base material is usually made of coarse aggregates (also known as crusher run).



Levelling the road base with motor grader

During the paving process, the sub-base material is deposited, spread and levelled by motor grader in lanes in a uniform layer. After spreading, the sub-base material will be thoroughly compacted using vibratory roller to obtain an even and uniformly compacted sub-base.

6. BUSINESS OVERVIEW (CONT'D)

An in-situ CBR test to determine the load-bearing capacity of the sub-base material shall then be carried out by the soil testing laboratory appointed by us. In the event that the measured in-situ CBR is lower than the required specification and deemed not acceptable by the Superintending Officer, the steps undertaken for the compaction of the first layer of sub-base material will be repeated until the in-situ CBR test results of the sub-base material complies with the specification that is acceptable to the Superintending Officer.

Once the sub-base material has been well compacted to the required density, the paving of road-base material will commence. For the avoidance of doubt, the paving procedure for road-base material is the same as sub-base material and such process is carried out until the road-base material is compacted to the required density and where the asphalt can be placed upon later.



Asphalt paver set is laying the asphaltic layer

The asphaltic layer is put in place by our subcontractor using their own asphalt paver set. The surface where the asphalt paving is to be laid shall be thoroughly swept, dried and cleared of all loose stones and foreign material. During the laying of the asphalt, the temperature of the hot mix asphalt shall not be less than 110°C at the time of initial rolling as the right temperature is very critical to obtaining the required compaction density to ensure the durability of the newly paved surfaces.



Compacting the asphaltic layer using a steel wheeled tandem roller

6. BUSINESS OVERVIEW (CONT'D)

After the asphaltic layer has been laid and all surface irregularities have been adjusted, the road surface will be thoroughly and uniformly compacted using steel wheeled tandem roller for the initial rolling. The levels and surface accuracy of the asphalt surfacing are checked continuously during compaction and any displacement shall be corrected immediately. Subsequently the heavy rolling, if applicable, shall be carried out using pneumatic tyred roller immediately following the initial rolling. The final rolling shall be carried out using steel wheeled tandem roller to eliminate all roller marks and until the surface is of uniform texture and reaches the specified level required in the construction drawing(s).



Completed roadway with pavement markings

Once the compaction process is completed and the new road surface is in place, our subcontractor will apply the permanent pavement markings and the construction of road is complete.

(b) Drainage works

Main drains are generally used to collect, transport, and/ or dispose of water through an outfall or outlet. The main drain functions as the central pathway and is connected to other existing inlet and outlet structures.

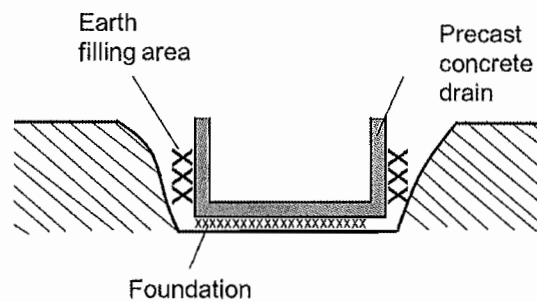
For drainage works, our Group generally undertakes the trench excavation and overall project planning and management whilst we engage subcontractor for the installation of the drainage structures within the site boundaries.

The main drain carries mainly storm water which flows from road surfaces into the storm drains. The storm water is then transported into the inlet structure leading to the main drains. The purpose of main drains is to move away the storm water to avoid soil erosion issues. The drainage system may be an open type or a concealed type depending on the project design. An open type drain collects water and runs it along the ground surface leading into the main drain while a concealed type drain collects the water from the road side drains and channelling it through pipe culverts into the main drain.

6. BUSINESS OVERVIEW (CONT'D)

Trench excavation will be carried out by using hydraulic excavators, and the soil is excavated from downstream towards upstream of the main drain. The excavated materials are then collected and transported to the dumpsite as designated by the engineer(s). After the trench is completed, the main drains are constructed either using a cast in-situ concrete drain or a precast concrete drain. The precast concrete drain is casted off-site and installed on-site while the cast in-situ drain indicates that the drain is casted on the project premises. Both the different construction methods can be seen as follows:-

(i) Precast concrete drain



Side view of precast concrete drains

Precast concrete drains are casted off-site in the shape and dimension in accordance to the project plan. The use of precast concrete drains enables the project timeline to be shortened as compared to the use of cast in situ drains. The precast concrete shall be manufactured using moulds.

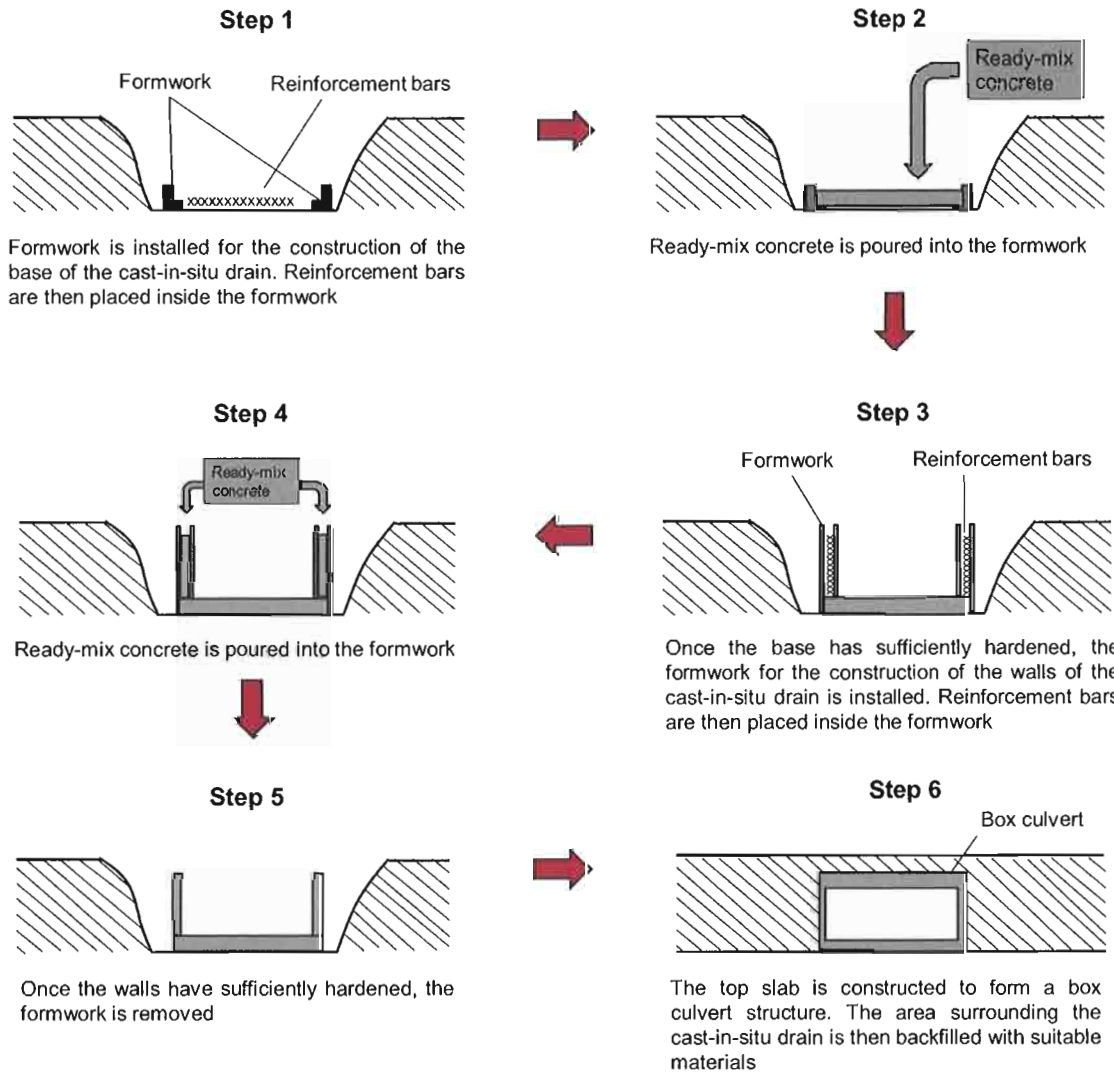
Once manufactured, the precast concrete drain is transported to the project site and laid on the well compacted bedding. Sometimes a foundation is constructed/ placed above the compacted bedding prior to the precast concrete drain being laid. The individual precast concrete drain units are bonded together to prevent leakage. The capping beam is constructed after the precast concrete drains are laid.

Finally, earth filling works are carried out behind the main drain's wall using suitable materials according to the construction drawing(s).

(ii) Cast in-situ drain

Cast in-situ drains are casted on the project site once the trench is completed. They allow for the construction to be done in all shapes and sizes with no limitation. The basic steps involved in construction of cast-in-situ drains are set out in the following page:-

6. BUSINESS OVERVIEW (CONT'D)



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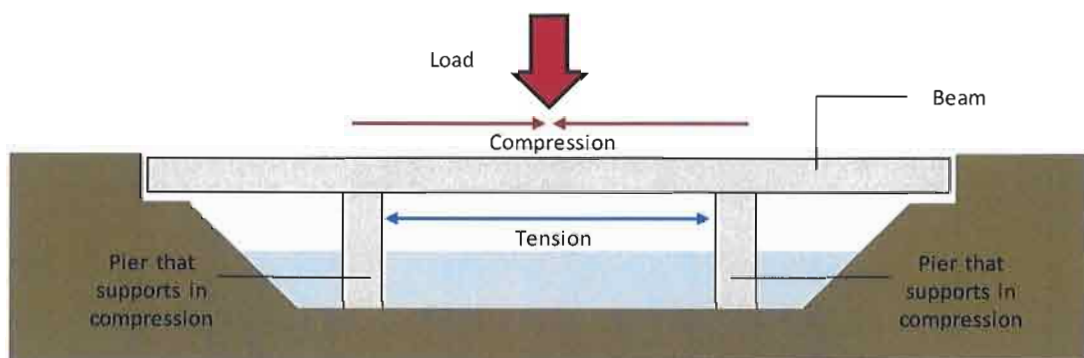
6. BUSINESS OVERVIEW (CONT'D)

(c) Bridge construction

Bridges are structures that are built to extend and span across physical objects such as a valley, roads, or water; providing access of vehicles or foot travel over these areas. A beam bridge is a rigid structure that consists of one horizontal beam supported by piers. In structural terms, it is the simplest type of bridge in Malaysia and can be categorized as the short to medium span range of bridge where its length can reach up to 40m while its width is about 3.5m for each lane. It is commonly used for highway flyovers and for modern elevated structures of light rail transport.

We generally engage our subcontractor to construct the bridge structure as highlighted in the four (4) main stages of the chart in the following page, whereas our role is to carry out the overall project management and supervision of the entire construction process.

Beam bridge works on the principles of compression and tension. As such, a strong beam is needed to resist twisting and bending under the weight that it must support. When a load created by a group of traveling cars pushes down on the beam, the weight of the beam pushes down on the piers. The beam's top edge is pushed together as the result of compression, and tension causes the bottom edge to stretch and lengthen. In spite of reinforcements like concrete, steel, and trusses, the biggest limitation of this type of bridge is still its length, so they rarely span more than 40m.



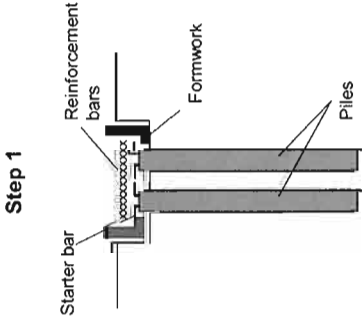
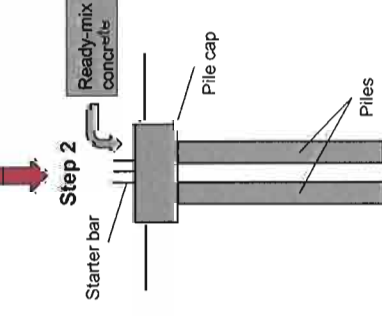
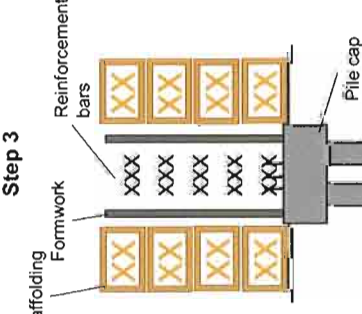
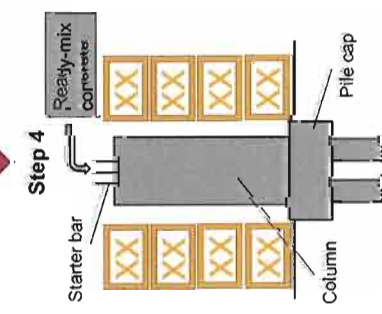
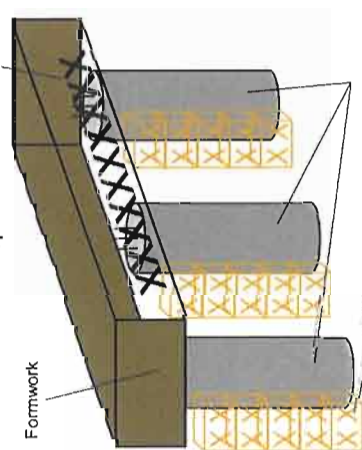
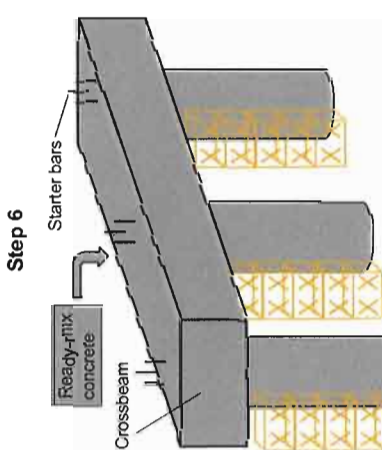
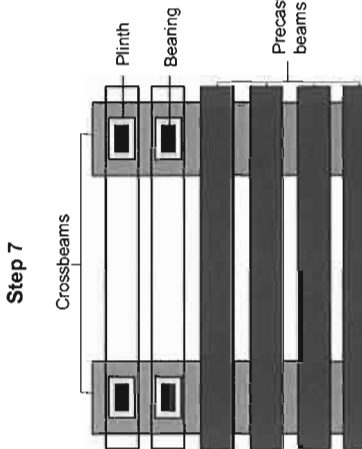
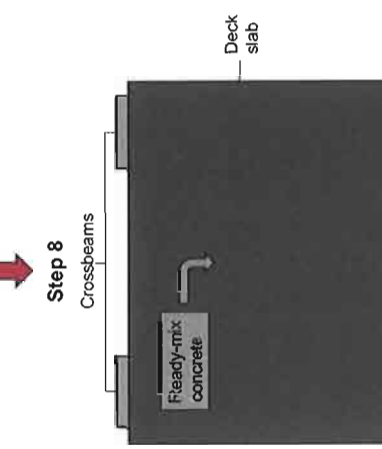
Beam bridge: A rigid horizontal structure that is resting on two piers

Before the construction of the bridge, excavation and piling are required to be done according to the construction drawing(s). Any soil investigations will generally be conducted by our clients prior to the piling works. Our Group engages subcontractors for the piling work in our projects.

The beams used on the bridge generally consist of I-beams and T-beams. An I-beam is a beam that has an I-shaped cross section and is efficient in carrying both bending and shear loads while the T-beam has a T-shaped cross section and is able to withstand high compressive stress.

The construction of the bridge generally involves four (4) main stages which can be seen in the followings page.

6. BUSINESS OVERVIEW (CONT'D)

Stage 1: Pile cap construction	Stage 2: Column construction	Stage 3: Crossbeam construction	Stage 4: Beam and deck slab construction
<p>Step 1</p>  <p>Piles are firstly driven into the ground with starter bars revealed. Formwork (temporary molds into which concrete or similar materials are poured) is then installed on the piles. Subsequently, reinforcement bars are placed within the formwork</p> <p>Step 2</p>  <p>Thereafter, ready-mix concrete is poured into the formwork. The formwork is removed when the ready-mix concrete has sufficiently hardened, thus forming the pile cap</p>	<p>Step 3</p>  <p>Scaffolding are erected around the pile cap. Then, formwork is installed and reinforcement bars are placed above the pile cap</p> <p>Step 4</p>  <p>Thereafter, ready-mix concrete is poured into the formwork. The formwork is removed when the ready-mix concrete has sufficiently hardened, thus forming the column</p>	<p>Step 5</p>  <p>The construction of crossbeam begins after the columns of the bridge are constructed. With the use of scaffolding as platforms, formwork is installed and reinforcement bars are placed</p> <p>Step 6</p>  <p>Following that, ready-mix concrete is poured into the formwork. The formwork is removed when the ready-mix concrete has sufficiently hardened, thus forming the crossbeam</p>	<p>Step 7</p>  <p>Plinths are constructed on the completed crossbeams. Bearings are then placed on top of the plinths. Next, the precast beams are placed on top of the plinths and bearings using cranes. Subsequently, formwork is installed on the beams or the casting of deck slab</p> <p>Step 8</p>  <p>After that, ready-mix concrete is poured into the formwork to create the deck slab. Once the concrete has sufficiently hardened, the formwork is removed and the construction of the bridge is complete.</p>

6. BUSINESS OVERVIEW (CONT'D)

(d) Water supply works

Water supply works can include the construction of water reticulation systems and reservoirs. Water reticulation system is generally a system engineered using hydrologic and hydraulic components to provide water supply. Depending on specifications and design, the water reticulation construction might include the connection of reservoirs, water tanks, water towers, raw water collection points to water purification facilities and pumping stations.

We generally engage our subcontractor to construct the water reticulation systems and reservoirs (including reinforced concrete reservoirs which can be classified into elevated storage tanks and ground storage tanks), whereas our role is to carry out the overall project management and supervision of the entire construction process.



An elevated water tank constructed by our Group at Bandar Sultan Suleiman, Selangor

Water reticulation will involve excavations, installation of pipes and other activities to transport water between two or more points. The construction of the reinforced concrete reservoirs involves activities such as foundation work, construction of the tank structure, installation of mechanical and electrical services and completing the external and internal finishes of tank.

Prior to installation of pipes and other activities, the materials used for the construction of the water reticulation system such as steel pipes, chambers and valves are inspected by the Superintending Officer. Pipe trench excavation will commence after ascertaining the position of other third party utility assets in the location. The trench is excavated using excavators and the levels are checked until the required formation is achieved. Once the trench is completed, the welding machine is deployed to weld the pipes together before laying it down into the trench using excavators.

6. BUSINESS OVERVIEW (CONT'D)

After checking if the joints of the pipes are welded properly and no leakages are found, backfilling of soil is done to the required thickness and compaction. This process is repeated until the entire water reticulation system is in place.



Welded pipes are laid and checked by the workers

Upon completion of both the activities, tests will be performed to ensure that the water facilities are functioning as planned. Pressure tests will be performed on the water facilities and disinfection of the water reticulation facilities will also be performed using chlorine.

(e) Sewerage system

A sewerage system is an underground carriage system used to transport wastewater from residential and commercial buildings to water treatment facilities or to be disposed off.

We generally engage our subcontractor to construct the sewerage system, whereas our role is to carry out the overall project management and supervision of the entire construction process.

Prior to the construction of the sewer, all materials used for the construction will be inspected by the Superintending Officer appointed by the client. Once approved, the location and alignment of each sewer line are set out on site and the excavation of the trench proceeds. The bedding shall be laid onto the base of the trench. The area around the sewerage pipe shall be backfilled with suitable material and compacted with a 1-ton roller or plate compactor to provide firm foundation of uniform density throughout the length of the sewer line.

6. BUSINESS OVERVIEW (CONT'D)

The vitrified clay pipe and/ or reinforced concrete sewer pipe which is highly resistant to almost all domestic and industrial sewage is installed and connected to a manhole. During the construction of the sewer line, a dewatering water pump shall be on standby to ensure dry working conditions. Upon completion of the sewer construction, tests such as closed-circuit television (CCTV) test and flow tests requirement by Indah Water Konsortium Sdn Bhd shall be carried out and witnessed by the Superintending Officer appointed by the client.



The reinforced concrete sewer pipes are laid down into the trench

A summary of all our completed earthworks and/ or civil engineering projects for the past three (3) financial years up to the FYE 31 December 2016 and as at the LPD is set out below:-

Project details	Industry	Contract value ^{*1} RM'million	Commencement/ completion date	Contract term ^{*2} (months)
Site clearance, earthworks and other ancillary works for Zone 4 (Phase 1) and Zone 6 & 8 (Phase 2) for the mixed development of the Setia Eco Gardens project at Pulai, Johor	Property Development (Residential)	30.95	January 2012/ January 2014	24
Construction of a temporary car park on Lot 3972 at Taman Wahyu, Jalan Ipoh, Kuala Lumpur	Property Development (Residential)	0.46	September 2013/ January 2014	4
Construction, completion, maintenance including handing over for enlargement of Lake C at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Infrastructure (Earthworks)	11.51	April 2013/ March 2014	11
Earthworks for Precinct 11, part of Precinct 15, remaining earthworks of Precinct 17, and Precinct 16 Reservoir of the Bandar Setia Alam project at Shah Alam, Selangor	Property Development (Residential)	45.72	September 2010/ March 2014	42
Site clearance, earthworks, main storm drains and detention ponds (Package 3) of the Desa Coalfields project at Coalfield Estate, Ijok, Selangor	Property Development (Residential)	19.42	November 2012/ April 2014	17

6. BUSINESS OVERVIEW (CONT'D)

Project details	Industry	Contract value* ¹ RM'million	Commencement/ completion date	Contract term* ² (months)
Construction and completion of earthworks, road and drainage for part of Precinct 15 & 16, Section U13 and part of Section U14 of the Bandar Setia Alam project at Shah Alam, Selangor	Property Development (Residential)	1.55	March 2014/ July 2014	4
Execution and completion of site clearance, earthworks, road works, surface water drainage and sewerage works for the Taman Kenanga project at Dengkil, Sepang, Selangor	Infrastructure (Road works, Drainage works, Sewerage system)	19.52	July 2013/ July 2014	13
Site clearance, earthworks, detention pond and ancillary works (Phase 1) for the mixed development of the Eco Business Park project at Tebrau, Johor	Property Development (Commercial)	15.55	September 2013/ September 2014	13
Earthworks at Lot 5056 of the Bandar Setia Alam project, Klang, Selangor	Property Development (Commercial)	0.32	December 2012/ January 2015	24
Earthworks and associated works at Phase 1 & 1A, Laman 3, Bernam Jaya, Selangor	Property Development (Commercial)	12.05	August 2013/ February 2015	18
Construction and completion of earthworks, berm, drainage, turfing and other related works for the housing construction project at Block 17, Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Property Development (Residential)	6.50	July 2011/ March 2015	45
Site clearance, earthworks, detention pond and ancillary works (Phase 2) for the mixed development of the Eco Business Park project at Tebrau, Johor	Property Development (Commercial)	15.08	July 2014/ May 2015	10
Construction and completion of earthworks for the Hillpark Shah Alam project at Bandar Puncak Alam, Kuala Selangor, Selangor	Property Development (Residential)	21.65	November 2013/ June 2015	18
Infrastructure works for the construction of a temporary sales gallery building for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	Property Development (Residential)	2.03	April 2015/ June 2015	3
Site clearance and earthworks for the construction and completion of highway link from Setia Ecohill to the mixed development of the Eco Majestic project at Semenyih, Hulu Langat, Selangor	Infrastructure (Bridge construction)	3.39	April 2014/ July 2015	15
Subsurface investigation works, piling works, reinforced soil wall, bridge and other ancillary works at Precinct 2 of the Nilai Impian 2 project at Seremban, Negeri Sembilan	Property Development (Commercial)	4.07	August 2014/ August 2015	11

6. BUSINESS OVERVIEW (CONT'D)

Project details	Industry	Contract value^{*1} RM'million	Commencement/ completion date	Contract term^{*2} (months)
Earthworks, main drain, detention pond and other ancillary works (Package 8) at Plot 2 of the Nilai Impian 2 project at Seremban, Negeri Sembilan	Property Development (Commercial)	32.40	May 2013/ August 2015	27
Site clearance, earthworks and retaining walls for the industrial and commercial development at Jeram Batu, Pontian, Johor	Property Development (Commercial)	23.35	November 2014/ September 2015	10
Construction and completion of Setia Ecohill Link from Semenyih Toll Plaza, Lebuhraya Kajang Seremban (LEKAS) Highway to the mixed development of the Setia Ecohill project at Semenyih, Hulu Langat, Selangor	Infrastructure (Road works, Drainage works, Bridge construction)	56.39	November 2013/ September 2015	23
Site clearance, earthworks, main drains and ancillary works for the Eco Business Park 2 project at Tebrau, Johor	Property Development (Commercial)	19.21	August 2014/ February 2016	18
Earthworks and associated works at Phase 3, Laman 1, Bernam Jaya, Selangor	Property Development (Residential)	6.24	August 2014/ March 2016	19
Construction and completion of trumpet interchange at Lebuhraya Kajang Seremban (LEKAS) Highway for the Eco Majestic project at Beranang, Hulu Langat, Selangor	Infrastructure (Road works, Drainage works, Bridge construction)	28.03	June 2014/ June 2016	25
Construction and completion of erosion protection works, box culvert and ancillary works at pond B (Package 4) at the Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Infrastructure (Earthworks)	2.17	April 2016/ August 2016	4
Construction and completion including handing over of 30 hectares detention pond and ancillary works (Package 3) at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Infrastructure (Earthworks)	13.66	October 2013/ September 2016	35
Site clearance and earthworks (Parcel 2) for the mixed development of the Bandar Amanjaya project at Sungai Petani, Kuala Muda, Kedah	Property Development (Residential)	14.10	November 2015/ September 2016	11
Construction and completion of site clearance, earthworks and associated infrastructure works for the mixed development of the Setia Ecohill project at Semenyih, Hulu Langat, Selangor	Property Development (Residential)	65.95	September 2012/ October 2016	49
Incidental earthworks for the development of mixed residential land at Bukit Raja, Shah Alam, Selangor	Property Development (Commercial)	7.81	May 2016/ October 2016	6

6. BUSINESS OVERVIEW (CONT'D)

Project details	Industry	Contract value ^{*1} RM'million	Commencement/ completion date	Contract term ^{*2} (months)
Earthworks and site preparation works for the Refinery and Petrochemical Integrated Development (RAPID) Project Package 18D at Pengerang, Kota Tinggi, Johor	Infrastructure (Earthworks)	7.05	September 2016/ December 2016	3
Construction and completion of link road and associated infrastructure from Eco Majestic interchange to the mixed development of the Eco Majestic project at Beranang, Hulu Langat, Selangor	Infrastructure (Road works, Drainage works)	30.15	September 2015/ December 2016	15

516.28

Notes:-

^{*1} For the avoidance of doubt, subsequent to the completion of these earthworks and/ or civil engineering projects (upon receipt of CPC), these projects generally carry a warranty period of 12 to 24 months. During this period, the Group's customers may require additional works for some of these construction projects, which would result in the addition to certain of the original scope of work. As such, the contract values for some of these completed projects which were affected by variation works during the warranty period had been adjusted accordingly to reflect the most updated project value

^{*2} The duration of our completed earthworks and/ or civil engineering projects ranges from 3 to 49 months

A summary of all our on-going earthworks and/ or civil engineering projects as at the LPD is set out below:-

Project details	Industry	Contract value RM'million	Commencement/ Expected completion date	Contract term ^{*1} (months)	Stage of completion as at the LPD %
Earthworks and infrastructure works at Section 3 and part of Section 2 of the Kota Puteri project at Rawang, Selangor	Property Development (Residential)	12.93	October 2015/ August 2017	22	63.9
Construction and completion of earthworks, main drain, realignment of existing rivers and other related works for development of Phase 1 (R3) & sales gallery (C1) for Stage 2 of the Bandar Bukit Raja project at Kapar, Klang, Selangor	Property Development (Commercial)	15.76	July 2015/ August 2017	26	75.4
Infrastructure & landscaping works (package No.TP07 Infrastructure & Landscaping Works) for the additions, alterations and upgrading of the existing national sports complex Bukit Jalil, Kuala Lumpur	Infrastructure (Road works, Bridge construction)	63.00	May 2016/ June 2017	13	97.9
Construction and completion of site clearance, earthworks and associated infrastructure works (Phase 1, 2 and 3) for the mixed development of the Eco Majestic project at Beranang, Hulu Langat, Selangor	Property Development (Residential)	114.20	November 2013/ March 2018	53	80.1

6. BUSINESS OVERVIEW (CONT'D)

Project details	Industry	Contract value RM'million	Commencement/ Expected completion date	Contract term ¹ (months)	Stage of completion as at the LPD %
Earthworks for Phase 1 mixed residential and commercial development at Bukit Raja, Petaling, Seksyen U12, Selangor	Property Development (Residential)	34.53	November 2016/ June 2017	8	50.0
Site clearing, earthworks and ancillary works Package (I) & Package (II) for the Seri Serai development project at Rawang, Gombak, Selangor	Property Development (Residential)	14.48	August 2016/ July 2017	11	44.5
Site clearing, earthworks and ancillary works (Package 3) (RSKU, Water Tank Reserve & Main Access Road) for the Serai development project at Rawang, Gombak, Selangor	Property Development (Residential)	5.99	February 2017/ July 2017	5	-
Earthworks for the mixed development at Block 7, Cyber 1 of the Setia Eco Glades project at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Property Development (Residential)	54.11	July 2012/ August 2017	62	77.1
Construction and completion of site clearance, earthworks and associated infrastructure for proposed housing, mixed and commercial development for the Setia Ecohill 2 project at Beranang, Hulu Langat, Selangor	Property Development (Residential)	53.10	March 2016/ September 2017	18	41.5
Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	Property Development (Residential)	136.52	April 2015/ September 2017	30	71.3
Earthworks for mixed development on Lot 48731 (PT 45264), Petaling, Selangor	Property Development (Residential)	6.58	March 2017/ January 2018	10	3.9
Construction and completion of earthwork and other related works for mixed development at Ijok, Selangor	Property Development (Residential)	60.28	December 2016/ February 2018	14	9.0
Construction and completion of civil works for West Coast Expressway (WCE) Interchange (from Section 1 - Banting Interchange to South Klang Valley Expressway (SKVE) Interchange)	Infrastructure (Earthworks, Road works, Drainage works, Bridge construction)	239.81	December 2016/ June 2019	30	0.5
Development and upgrading of the proposed Pan Borneo highway in the state of Sarawak (from Sg Awik Bridge to Bintangor Junction)	Infrastructure (Earthworks)	105.23	December 2016/ November 2019	35	0.9
Construction and completion of by-pass box culvert, temporary detention pond and sungai serai upgrading works for Bandar Serai Development, Rawang, Gombak, Selangor	Infrastructure (Drainage works)	6.70	April 2017/ January 2018	9	-

6. BUSINESS OVERVIEW (CONT'D)

Project details	Industry	Contract value RM'million	Commencement/ Expected completion date	Contract term ^{*1} (months)	Stage of completion as at the LPD %
Hard landscaping for east lake central park for zone A & zone B at Tanjung Dua Belas, Kuala Langat, Selangor.	Infrastructure (Road works)	15.23	April 2017/ January 2018	9	-
		<u>938.45</u>			

Note:-

*1 The duration of our on-going earthworks and/or civil engineering projects ranges from 8 to 62 months

As depicted in the summary above, our Group generally undertakes earthworks focusing on both residential and commercial property development projects and infrastructure projects (for road and highway). In addition, our Group is also moving towards securing larger-scale and value projects, which is evident from our recently secured two (2) large-scale infrastructure projects which involve earthworks for the construction of highway (i.e. the West Coast Expressway (WCE) Interchange project and the Pan Borneo Highway project).

For the investors' information, our scope of earthworks for both the West Coast Expressway (WCE) Interchange project and the Pan Borneo Highway project generally involves the construction of embankment to be used for the onward construction of highways. The scope of earthworks undertaken for both projects are the same as the conventional earthworks undertaken by our Group for the construction of embankment for onward construction of roadways, whereby the steps taken for such construction works generally include the following:-

- (i) site visit and preparation to determine whether the physical properties of soil around the project site are conducive for the subsequent construction activities;
- (ii) site clearance for the removal of obstacles that may interfere with the construction work on the project site;
- (iii) excavation and fill activities for the construction of embankment for the onward construction of highways;
- (iv) in concurrence with the excavation and fill activities, the necessary erosion and sediment control plan are put in place to prevent the erosion of the soil at the project site (such as the construction of berm drains at different sections of the slope at project site to mitigate the effects of runoff during earthworks);
- (v) compaction of embankment in accordance with the required field density to be achieved for highways. For the avoidance of doubt, the load bearing capacity of a highway is higher than a road in order to support the higher traffic loads applied to the highway, which can be achieved through the usage of higher quantum of fill materials and resulting in more layers of fill materials to be compacted; and
- (vi) the earthworks scope of work will end pursuant to the completion of the compaction process where the final layer of the compacted soil has been trimmed to an even surface that conform to the levels, lines, grades and contours shown on the construction drawing(s) within the tolerances specified by the Superintending Officer of both projects.

6. BUSINESS OVERVIEW (CONT'D)

As such, the nature of earthworks for both the West Coast Expressway (WCE) Interchange project and the Pan Borneo Highway project is the same as the conventional earthworks undertaken by our Group for the construction of embankment for onward construction of roadways, save for the layer of compaction required during the compaction process to achieve the optimal load bearing capacity of highway as compared to residential roadway. Generally, the load bearing capacity of a highway is higher than a road in order to support the higher traffic loads applied to the highway, which can be achieved through the usage of higher quantum of fill materials and resulting in more layers of fill materials to be compacted. The other differences between road works undertaken for property development projects and infrastructure projects include the quantum of machinery, labour and duration required to complete both type of projects. Please refer to Section 6.5 of this Prospectus for further details on the key differences between road works undertaken for property development projects (i.e. for the construction of road) and infrastructure projects (i.e. for the construction of highway).

As highlighted above, our scope of work for the Pan Borneo Highway project only involves earthworks to construct embankment to be used for the onward construction of highways. However, for the West Coast Expressway (WCE) Interchange project, our scope of work involves earthworks to construct embankment as well as the provision of specialised civil engineering services (i.e. road works, drainage works and bridge construction). Notwithstanding the foregoing, the nature of work for both the earthworks and/ or specialised civil engineering services to be undertaken for both projects is the same as the conventional scope of work that our Group has performed for our other construction projects.

Furthermore, the entire scope of work for earthworks are generally carried out in-house by our Group. However, we will subcontract out certain portions of road works (as we do not own the asphalt paver set for road pavement activity) and drainage works (as drainage works are labour intensive to carry out in-house) and the entire bridge construction to our subcontractors. Notwithstanding the foregoing, our Group still undertakes the overall project planning and management of all our subcontracted works and we are accountable to our customers for the execution of the contract and the overall management of the project. Premised on the above, there are no major differences in terms of skill set requirement nor the types of machinery required to undertake both the West Coast Expressway (WCE) Interchange project and the Pan Borneo Highway project as compared to our other construction projects.

Please refer to Sections 4.1.7, 4.1.8, 4.1.9 and 4.1.10 of this Prospectus for the operational risks involved in undertaking the construction of road and highway and Sections 4.2 of this Prospectus for the risks relating to general construction industry.

6. BUSINESS OVERVIEW (CONT'D)

6.1.1(b) Support services

Apart from the provision of construction services, our Subsidiaries are also involved in the provision of other construction support services mainly to complement our operations in the earthworks and civil engineering activities as well as to support our subcontractors' operations in the same project. Further details of our supporting activities are set out below:-

i. Sale of construction materials

We currently undertake the sale of construction materials which is mainly catered for our subcontractors who work at our project sites. Our direct supply of construction materials to our subcontractors reduces the risk of delay in delivery of materials causing material disruption to our construction works as we have better control over our suppliers who are fully accountable to us instead of relying on third party suppliers whom we are not familiar with their quality of products/ materials.

Sale of construction materials constitute approximately 7.6%, 11.4% and 7.3% of our Group's total revenue for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

Our construction materials are entirely sourced from our suppliers in Malaysia. Unless requested by our customer, we usually select our suppliers from our internal list of approved suppliers. We generally assess the overall performances of potential suppliers, including product quality, timeliness of delivery, references and reputation in the industry to be included in our list of approved suppliers on an annual basis to ensure that we have maintained a reasonably diversified base of reliable suppliers which offer competitive prices. As at the LPD, there were approximately 605 suppliers on our list of approved suppliers.

For the avoidance of doubt, our inventories are ordered based on the request of our subcontractors who would usually place order with us on a case to case basis in accordance with the requirements of the projects undertaken by them. Upon completion of a particular project, we will sell our unused construction materials back to our subcontractor who was involved in the particular project or alternatively, third party contractors. As a result, we generally do not keep excess inventory of construction materials at our project sites. There were no construction materials remained at our project sites as at the FYE 31 December 2014, FYE 31 December 2015 and FYE 31 December 2016, respectively.

6. BUSINESS OVERVIEW (CONT'D)

The construction materials procured by us for supply to our subcontractors and any third (3rd) party contractors mainly for their civil engineering projects are summarised in the table below:-

No.	Products	Details/ Specifications	General usage and application
1.	Quarry products		
	20mm aggregate (3/4")	The size of aggregate as quoted in the product name	Base materials used in production of construction premixes (mainly for wearing (surface) course-based road pavement)
	Quarry waste	Fine crushed residual of quarry product	Materials for void fill, embankment and roadway structure
	Quarry dust (dust form)	Fine crushed dust and follow respective grading limit of scope of work	As filler used in production of construction premixes. Also as alternative for fine aggregates such as sand
	6" x 9" block stone	100mm (min) – 250mm (max)	Base materials for drainage and embankment structure
	Crusher run (50 mm)	Crushed rock which is hard & durable & follow grading limit required by consultant.	Base materials for roadway structure
2.	Premix products		
	Asphalt	Sticky, black and highly viscous liquid or semi-solid form of petroleum	Road works
	Sand	Fine granular materials & follow consultant's stated grading limit.	Base material for all kind of concrete structure and for roadworks
	Steel bar	A hard metal bar composed of iron alloy with carbon added	All reinforced concreting structure

6. BUSINESS OVERVIEW (CONT'D)

No.	Products	Details/ Specifications	General usage and application
3.	Precast products		
	Box culvert	A rectangular shaped, reinforced concrete drainage structure	A structure that allows water to flow under a road or trail or similar obstruction from one side to the other side
	U-shape drain	A "U" shape reinforced concrete drainage structure.	A structure that allows water to flow under a road or trail or similar obstruction from one side to the other side
	L-shape drain	A "L" shape reinforced concrete drainage structure.	A structure that allows water to flow under a road or trail or similar obstruction from one side to the other side
4.	Ready-mix concrete	Various grades as required by customers	All reinforced concrete works
5.	Gabion	Stone filled in wire mesh gabions.	Erosion protection & retaining structures
6.	Bitumen emulsion	A coat to apply on the road base before laying the premix work.	To act as glue between road base (crusher run) & top surface of finished road (premix work)

ii. Hiring of machinery

We currently provide renting of machinery mainly for our internal use as well as to cater for the needs of our subcontractor/ customers. Generally, we rent out machinery to our subcontractors who work at our project sites whenever they do not have sufficient machinery to undertake the construction work. Our machinery may be rented on a per hour, per day, per trip, per m³ or per ton basis based on the prevailing market rates, depending on the requirement of our subcontractors. At times where there are request from external parties who do not carry out our construction works, we would also cater our rental services to the said parties pursuant to our internal assessment on the availability of our machinery (i.e. machinery that are not being used at the construction site are usually selected for such purposes). However, our Board remains cautious on the number of machinery that are rented out to external parties (i.e. parties that are not carrying out our construction works/ not our subcontractors) to ensure that our Group has sufficient machinery to cater for internal usage.

6. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we own 131 units of tipper/ dump trucks, 78 units of excavators, 21 units of bulldozers, 29 units of compactors, eight (8) units of water trucks, nine (9) units of diesel trucks, seven (7) units of motor graders, eight (8) units of crawler drills and other machinery that allow us to undertake various construction activities (within the earthworks and civil engineering services) and to meet customers' requirements, further details of which are set out in Section 6.16.4 of this Prospectus.

As set out in the paragraph above, the rental of machinery is mainly for our in house purposes and the income generated from external rental only accounted for approximately negligible, 0.1% and 0.1% of our Group's total revenue for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

We carry out maintenance works on our machinery on a regular basis to ensure that our machinery are well maintained. In addition, such measure is essential to ensure the continuity of our business operations without unnecessary interruption due to machinery breakdown as well as to ensure the safety of our employees. Generally, our Production and Operation department together with our Workshop department hold the responsibility to ensure the timeliness of the maintenance and servicing of our machinery based on our manufacturers' recommended schedule for each of the machinery stated in our maintenance manual.

We engage our manufacturers for scheduled servicing of machinery that are still under warranty validity period. After the machinery's warranty expires, our in-house maintenance team will carry out maintenance and repairing services which involve general service intervals, minor defects and/ or minor breakdowns of our machinery. As set out in Sections 3.12(i)(b) of this Prospectus, our Group intends to allocate approximately RM14.60 million from the proceeds raised from our Public Issue to construct a workshop on the Industrial Land as our in-house workshop for the purpose of carrying out repair and maintenance services of our machinery and equipment. The workshop will have a total Gross Floor Area of approximately 8,200 m² to house our internal servicing team and machinery that require maintenance and repairing services.

Whilst pending the construction of our new workshop, we have temporary rented a workshop in Semenyih which is located nearer to several of our on-going project sites in the Hulu Langat District. Our workshop is headed by our Assistant General Manager of Workshop, namely Lam Wing King and we have an internal servicing team of nine (9) mechanics as at the LPD to perform repairing and maintenance services for our machinery on a timely basis. For major services which we do not have the diagnostic tools and equipment or OEM replacement parts, we will engage an external service provider who will send technicians to our project site to perform the repair works.

6. BUSINESS OVERVIEW (CONT'D)

Set out below are principal types of machinery owned and used by our Group:-

	Machinery¹	Usage and application
	Tipper/ dump truck	Used for transporting any form of construction material
	Diesel truck	Used to transport diesel to be used at construction site
	Water truck	Used to carry water to be used at construction site
	Excavator	Used in digging of trenches, holes and material handling, demolition, general grading/landscaping, lifting and placing of pipes, and river dredging

6. BUSINESS OVERVIEW (CONT'D)



Machinery¹

Bulldozer

Usage and application

Used in clearing of rock materials, minerals and any other sediment or remains



Compactor

Used for compacting fill material during construction work



Motor grader

Used in surfacing of earthworks or road to create a flat surface



Crawler drill

Used in drilling shot holes for rock blasting

6. BUSINESS OVERVIEW (CONT'D)

Note:-

*1 The type of machinery as shown above is non-exhaustive. Other machinery includes amongst others, wheel loader, backhoe, forklift and lorry

iii. Ad hoc general construction services/ daywork

Our Group also carry out ad hoc general construction services/ daywork services for our customers. The scope of ad hoc general construction services/ daywork projects undertaken by our Group in the past includes, but not limited to road maintenance and repair works such as filling of potholes, spot turfing to prevent soil corrosion as well as construction of temporary car parks.

Ad hoc general construction service/ daywork is a specifically instructed construction services for which we are paid on daily basis or per hourly basis. It is usually undertaken for a period ranging from three (3) weeks up to 12 months, depending on the size of the contract and the technical complexity of the works undertaken.

The revenue derived from ad hoc general construction services/ daywork services only accounted for approximately 0.1%, 1.4% and 1.4% of our Group's total revenue for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

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6. BUSINESS OVERVIEW (CONT'D)

6.1.2 Property investment

The commencement of our property investment business segment

Our property investment business segment arose mainly due to our working relationship with property developers (i.e. S P Setia, Paramount Corporation Berhad, Setia Haruman Sdn Bhd, Eco World, Tropicana, PKNS and NCT) where we were offered to purchase investment properties from the respective property developers at various discounted prices. For the avoidance of doubt, the aforesaid property developers have been/ are our current clients who have awarded us earthworks/ civil engineering services contracts over the years. Further, our Group had acquired two (2) units of investment properties from NCT via a contra arrangement whereby the progress billing for the Taman Kenanga project awarded by NCT was partly offset against the aforesaid investment properties. Further details of the contra arrangement are set out in the following paragraphs under the sub header of "*the business arrangement on the acquisition of investment properties by our Group*" under Section 6.1.2 of this Prospectus.

Our Board and the management were of the view that besides acquiring the investment properties at various discounted prices, the acquisition of the aforesaid investment properties from the respective property developers also shows a sense of support which in turn may enhance our working relationship with the said property developers. In addition to the support provided to these clients, our property investment business also serves as a channel to reap capital gain upon realisation of the investment properties after a holding period of three (3) to five (5) years. Please refer to Section 4.1.13 of this Prospectus for further details on our risk factor pertaining to the Group's exposure to property investment which highlights the risk of property investment and the possible opportunity cost to our Group arising from property investment business segment.

As part of our Group's effort to centralise all our properties for investment purposes under one (1) subsidiary which serves as the property arm of the Group, we had in April 2013 commenced our property investment business segment via Advancecon Properties. However, our Group has been cautious in growing the property investment business segment as our core expertise remains in the provision of earthworks and civil engineering services. All our investment decisions will be carried out strictly in accordance to our Group's investment policy as set out in the following paragraphs. This is to ensure that we remain focused on our core business, being the provision of earthworks and civil engineering services.

Moving forward, our Board will continue its efforts to cautiously manage this property investment business segment. In the near term (approximately two (2) years from the date of Listing), our Board has no intention to explore any acquisition of investment properties until such time when the local property market condition shows signs of gradual improvement. Whereas in the evaluation of any future acquisitions, our Board will also benchmark the potential capital appreciation rate of the identified investment property against the prevailing fixed deposit rates in Malaysia as one of our Group's investment criteria, whereby the potential capital appreciation rate of the identified investment property upon realisation shall be higher than the prevailing fixed deposit rates in Malaysia on an annual basis, in addition to several other investment criteria as detailed in the following paragraphs under the sub header of "*investment criteria*" under Section 6.1.2 of this Prospectus.

6. BUSINESS OVERVIEW (CONT'D)

The business arrangement on the acquisition of investment properties by our Group

Our purchase of investment properties comes in two (2) forms of business arrangements, namely:-

- (i) Investment properties acquired directly relating to the projects undertaken by our Group; and
- (ii) Investment properties that were not directly related to any particular project that was awarded to/ undertaken by our Group from the property developers, however, the aforesaid investment properties were acquired from property developers who have awarded us other projects.

For information purposes, there are 22 units of investment properties held by our Group as at the LPD, details of which are as follows:-

- (i) 11 units were acquired directly relating to the projects undertaken by the Group, of which two (2) units were related to a contra arrangement whereby the progress billing for the particular project awarded by the property developer was partly offset against these two (2) units of investment properties (details of the contra arrangement are set out in the following paragraphs); and
- (ii) 11 units were acquired from the property developers who awarded projects to our Group, however, these investment properties were not directly related to any particular project that was awarded to/ undertaken by our Group from the property developers.

For clarification, we had on 28 February 2017, entered into a sale and purchase agreement for the disposal of an investment property namely, D'Fronde Bukit Indah, Johor Bahru, at a disposal price of approximately RM1.15 million. Our Group acquired this investment property on 5 November 2015 and after deducting the financing costs and other relevant expenses incurred in relation to this investment property, the selling price translates to a net return of approximately 10.9% during the holding period of approximately 16 months or approximately 8.2% per annum. Based on the sale and purchase agreement, this transaction is expected to be completed within 90 days from the date of the aforesaid agreement. Pursuant to a letter dated 3 April 2017, both parties decided to mutually extend the completion date for the aforesaid agreement up to 6 July 2017. Accordingly, this investment property is excluded from the abovementioned 22 units of investment properties currently held by our Group.

Our Group was offered to acquire two (2) units of investment properties via a contra arrangement with NCT whereby the aggregate purchase price of the said investment properties amounting to approximately RM2.00 million was offset against the Group's progress billings no.11 and no.12 for Taman Kenanga project amounting to an aggregate of RM1.60 million, with the remaining RM0.40 million paid in cash.

6. BUSINESS OVERVIEW (CONT'D)

The Group's decision to accept the contra arrangement then was after taking into consideration the eight percent (8.0%) discount over the developer launching price then and the overall prospects of the investment properties given the prime location of the said properties which are located 2.5km from Genting Highlands and in view of the properties' close proximity to the upcoming Twentieth Century Fox World theme park and Genting Premium Outlets.

For the avoidance of doubt, throughout the past three (3) financial years under review, save for the aforementioned two (2) units of investment properties acquired through a contra arrangement, none of our investment properties was acquired as part of the projects undertaken by the Group via contra arrangement.

The key personnel of our property investment business segment

Our property investment business segment is overseen by our Chief Operating Officer and Chief Financial Officer, namely Ir. Yeo An Thai and Teh Heng Wee. Specifically, Ir. Yeo An Thai is responsible for all aspects of real estate portfolio strategy including the identification and evaluation of our investment targets whilst Teh Heng Wee is responsible for the Company's overall finances and procuring the necessary funding for the investment assets and to ensure that the funding rates are competitive. At times, we do engage with/ seek advice from property agents/ consultant to assess the viability of the identified investment properties to be acquired prior to making our investment decisions.

Our investment objectives

As highlighted above, we have been offered to acquire certain properties developed by our property developer clients mainly in the Klang Valley at certain discounted rates ranging from two percent (2.0%) to 18.0% on the prevailing selling price (launching price by the respective property developers) of the investment properties. It is our Group's intention to hold the investment properties for a period of three (3) to five (5) years for the purpose of capital appreciation of approximately 10.0% and then dispose for capital gain once the investment properties have achieved our investment objective on a case to case basis, where possible and in the best interest of our Company.

For clarity, the investment return of 10.0% (which translates to an average capital gain of approximately two percent (2.0%) per annum over a period of five (5) years) is determined after taking into consideration the financing costs and other relevant expenses that may be incurred in relation to the investment properties. The aforesaid investment return rate merely serves as an internal benchmark for any realisation of investment properties of the Group whereby the Board will also take into consideration several other external factors that might affect the marketability of the investment properties of the Group which include, amongst others, the local property environment and challenging general economic outlook, the housing affordability sentiment as well as the price offered by the potential buyers as set out in the following paragraphs under the sub header of "*investment criteria*" under Section 6.1.2 of this Prospectus. Based on the above, the Board has then set a conservative investment return target of 10.0% (after taking into consideration the financing costs and other relevant expenses that may be incurred in relation to the investment properties) to achieve its investment objective amid a challenging property market condition.

6. BUSINESS OVERVIEW (CONT'D)

This business segment will be monitored and carried out strictly in accordance to our Group's investment policy as our Board will ensure that our cash flow requirements shall be prioritised for our primary business operations (i.e. our earthworks and civil engineering services) and to meet the financial commitment of our primary business operations. Thereafter, the cash flow available to our Group subsequent to meeting the aforesaid business obligations and the related capital expenditure will be allocated towards dividend payment which our Board aims to distribute minimum dividends of 20% of our Group's annual PAT to our shareholders prior to allocating any residual financial resources for the purchase of any new investment properties. All investment decisions will be deliberated carefully by our Board whereby only the residual cash after allocating for business operations and dividend payment will be channelled towards this business segment. Please refer to Section 11.8 of this Prospectus for further details on our Group's dividend policy.

Investment criteria

In evaluating the investment properties offered by our property developer clients, our Group focuses primarily on the following investment criteria, subject to the limitations and restrictions set forth in our investment policies:-

- (i) Location and accessibility – Properties which are located in close proximity and have convenient access to, major highways, roads and established retail areas as well as the potential development around the area where the investment properties are located which may drive the marketability of the investment properties;
- (ii) Market outlook – To assess the prevailing market conditions in the local property market as well as the economic outlook, the ease of obtaining financing from the financial institutions and interest rate trend prior to making an investment decision; and
- (iii) Population growth – Properties which are located in an area that is experiencing a positive population growth which will allow for capital appreciation over the longer term.

Investment policy

In accordance with our Group's intention to remain focused on our primary business operations and to ensure that this business segment will not overtake its primary business, our Board has also set an investment policy to ensure that the total asset value (i.e. cost) of our property investment business segment does not exceed 20.0% of the Group's total asset. Furthermore, pursuant to our Listing, our Board will also ensure that the total asset value (i.e. cost) of our property investment business segment does not exceed 30.0% of the Group's total enlarged NA upon IPO after taking into consideration the financial obligations of this business segment. For the avoidance of doubt, our Group does not have any fixed policy on the proportion/ percentage of the project value that shall be allocated towards acquiring any investment properties from the property developers for the property investment activities of our Group. Nevertheless, we have set out in Table 2 of this section a tabulation of the value of the investment properties acquired from the respective property developers versus the total projects awarded to our Group by the aforesaid property developers for the past three (3) financial years under review.

6. BUSINESS OVERVIEW (CONT'D)

Based on the above, it should be noted that not more than 30.0% of our Group's total enlarged NA upon IPO may be tied to the property investment business segment which may only contribute a capital gain of approximately two percent (2.0%) per annum to our Group (after taking into consideration the financing costs and other relevant expenses that may be incurred in relation to the investment properties). On the other hand, at least 70.0% of our Group's total enlarged NA upon IPO shall be attributable to our Group's core business segment (i.e. earthworks and civil engineering services) which has historically recorded an average gross profit margin of approximately 24.8% for the past three (3) financial years up to the FYE 31 December 2016.

As at the FYE 31 December 2016, none of our investment properties was located overseas and the total asset value (i.e. cost) of the investment properties stood at approximately RM31.60 million, accounting for approximately 10.7% of our latest audited total asset of approximately RM295.89 million and approximately 19.9% of our Group's total enlarged NA upon IPO of approximately RM158.52 million. The total cost incurred for the aforementioned acquisition of approximately RM31.60 million comprises internally generated funds of RM18.33 million or 58.0% and bank borrowings of RM13.27 million or 42.0%, respectively.

As at the LPD, none of our investment properties was located overseas and the total asset value (i.e. cost) of the investment properties stood at approximately RM32.10 million, accounting for approximately 10.8% of our latest audited total asset of approximately RM295.89 million and approximately 20.2% of our Group's total enlarged NA upon IPO of approximately RM158.52 million. The total cost incurred for the aforementioned acquisition of approximately RM32.10 million comprises internally generated funds of RM18.06 million or 56.3% and bank borrowings of RM14.04 million or 43.7 %, respectively. The balance material commitment for our investment properties as at the LPD stood at approximately RM3.18 million. Further breakdown on the financing methods for the material commitment are set out in note 1 of Table 1 of this section.

Our track record in realising investment properties and current management of our investment properties

As mentioned in the paragraph above, the investment return of 10.0% for a holding period of three (3) to five (5) years which translates to an average capital gain of approximately two percent (2.0%) per annum over a period of five (5) years (after taking into consideration the financing costs and other relevant expenses that may be incurred in relation to the investment properties) merely serves as an internal benchmark of our Group to achieve our investment objectives and was set by our Board after taking into account the current challenging property market conditions.

However, over the past five (5) years up to the LPD, our Group had disposed of eight (8) units of investment properties, of which the holding period ranging from 11 months to 68 months (approximately 5.5 years). Over the holding period from 11 months to 68 months (approximately 5.5 years), the average net return from the disposal of each investment properties ranging from approximately 2.1% to 12.8% on annual basis, which translates to an average net return of approximately 9.2% per annum (after taking into consideration the financing costs and other relevant expenses incurred in relation to the investment properties).