

6. BUSINESS OVERVIEW (CONT'D)

Furthermore, during the holding period of three (3) to five (5) years, our Group intends to improve the returns of our investment properties by renting out to suitable tenants. Currently, our Group holds 15 units of completed investment properties. Amongst the 15 units of completed investment properties, our Group has managed to rent out four (4) units of investment properties, details of which are set out below:

- (i) Centrus @ CBD Perdana 3, with a monthly rental of RM2,650 for a period of three (3) years from 18 March 2016 to 17 March 2019. Based on the purchase price of RM664,600 and annual rental of RM31,800 (being RM2,650 multiply with 12 months), the annual gross rental yield of the investment property would be approximately 4.8%;
- (ii) Tropicana Grande Condominium, with a monthly rental of RM6,000 for a period of one (1) year from 24 December 2016 to 23 December 2017. Based on the purchase price of RM1,636,060 and annual rental of RM72,000 (being RM6,000 multiply with 12 months), the annual gross rental yield of investment property would be approximately 4.4%;
- (iii) No. 18, Samanea Type 1, Setia Ecohill, with a monthly rental of RM1,100 for a period of one (1) year from 5 January 2017 to 4 January 2018. Based on the purchase price of RM680,560 of this particular investment property and annual rental of RM13,200 (being RM1,100 multiply with 12 months), the annual gross rental yield of the investment property would be approximately 1.9%; and
- (iv) No. 15, Samanea Type 1, Setia Ecohill, with a monthly rental of RM1,100 for a period of one (1) year from 1 May 2017 to 30 April 2018. Based on the purchase price of RM553,660 of this particular investment property and annual rental of RM13,200 (being RM1,100 multiply with 12 months), the annual gross rental yield of the investment property would be approximately 2.4%.

Based on the respective purchase prices and annual rentals of these tenanted investment properties, the annual gross rental yield ranges between approximately 1.9% and 4.8%. Notwithstanding the foregoing, our Group has engaged property agents to identify tenants for the remaining 11 units of the completed investment properties to generate recurring rental income during the holding period of the aforesaid investment properties. For the avoidance of doubt, the aforesaid 11 units of completed investment properties were delivered to us progressively between December 2015 and up to the LPD, and accordingly, we have been actively seeking rental opportunities for the aforesaid investment properties since then.

For the avoidance of doubt, Advancecon Properties is treated as a real property company for carrying on a trade or business in dealing in real properties and therefore, any capital gains arising from the disposal of real properties held under Advancecon Properties would be subjected to corporate income tax, as specified under Section 4(a) of the Income Tax Act 1976.

6. BUSINESS OVERVIEW (CONT'D)

For information purposes, as at the LPD, our Group holds six (6) units of investment properties that are under construction, 15 units of completed investment properties (excluding D'Fronde, Bukit Indah, Johor Bahru which is currently in the midst of a sale arrangement by our Group) and one (1) parcel of leasehold land. Further details of the types of investment properties currently held by our Group (i.e. residential, commercial or land) are set out in Table 1 of this section.

As set out in the earlier 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 purchase of investment properties mainly arose due to our working relationship with our clients and the purchase is usually undertaken as follows:-

- (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 investors' further information/ clarity, we have set out in the ensuing tables an analysis of the investment properties that we have acquired as compared to (i) the project values that has been secured from the said developers which was directly related to the investment properties; and (ii) the project values that has been secured from the said developers which was not directly related to the investment properties, further details of which are set out below:-

- (i) Table 1(a): Comparison between the 11 units of investment properties that were related to the projects undertaken by the Group versus the specific project awarded by the respective property developers which was directly related to the investment properties
- (ii) Table 1(b): Comparison between the 11 units of investment properties purchased from the particular property developer that were not directly related to any projects undertaken by the Group versus the total projects awarded by the aforesaid property developers during the financial year that the investment properties were purchased
- (iii) Table 2: Comparison between the total purchase price of the investment properties acquired from a particular property developer versus the projects awarded by the respective property developers during the financial years under review (FYE 31 December 2014 – FYE 31 December 2016)

6. BUSINESS OVERVIEW (CONT'D)

Table 1(a): Comparison between the 11 units of investment properties that were related to the projects undertaken by the Group versus the specific project awarded by the respective property developers which was directly related to the investment properties

Name of developer	Name/ Type of investment property ("IP")	Unit	Year of purchase	(A) Purchase price RM	(B) Progress billings/ total payment made as at the LPD RM	(A) - (B) Balance to be paid as at the LPD ¹ RM	NBV as at 31.12.2016 RM	NBV as at the LPD RM	Status of construction as at the LPD	(C) Total project value directly related to the IP purchased ² RM	(A)/(C) Percentage of IP purchase price over project value %
Eco World	Tenderfield, Eco Majestic/ Semi-detached house (Residential)	1	2014	1,322,460	1,038,060	284,400	682,560	1,038,060 ³	Ongoing	113,863,052	4.2
	Gentlebre, Eco Majestic/ (Freehold land)	2	2014	1,926,680	1,926,680	-	1,926,680	1,926,680 ³	Completed		
	The Ivoris, Eco Majestic/ Shop (Commercial)	1	2015	1,512,504	1,358,919	153,585	898,165	1,358,919 ³	Ongoing		
	Sub total			4,761,644						113,863,052⁴	4.2

6. BUSINESS OVERVIEW (CONT'D)

Name of developer	Name/ Type of investment property ("IP")	Unit	Year of purchase	(A) Purchase price RM	(B) Progress billings/ total payment made as at the LPD RM	(A) - (B) Balance to be paid as at the LPD ¹ RM	NBV as at 31.12.2016 RM	NBV as at the LPD ² RM	Status of construction as at the LPD	(C) Total project value directly related to the IP purchased ² RM	(A)/(C) Percentage of IP purchase price over project value %
NCT	Ion Delemen, Galeri Tropika/ Serviced apartment (Residential)	2	2015	2,007,072	2,007,072	-	1,976,966	1,963,585 ^s	Completed	19,523,576	10.3
S P Setia	Samanea Type 1, Setia Ecohill/ Terrace house (Residential)	4	2014	2,627,300	2,627,300	-	2,565,996	2,548,481 ^s	Completed	65,947,026	4.0
	Setia Ecohill/ Bungalow (Residential)	1	2016	1,959,859	1,959,859	-	1,927,195	1,914,129 ^s	Completed	53,102,853	3.7
Total (E)		11		11,355,875	10,917,890	437,985	9,977,562	10,749,854			

6. BUSINESS OVERVIEW (CONT'D)

Table 1(b): Comparison between the 11 units of investment properties purchased from the particular property developer that were not directly related to any projects undertaken by the Group versus the total projects awarded by the aforesaid property developer during the financial year that the investment properties were purchased

Name of developer	Name/ Type of investment property	Unit	Year of purchase	(A)		(B)		(A) - (B)		Status of construction as at the LPD	NBV as at the LPD RM	Total value of projects awarded by the said developer in the year of purchase ^s RM	(A) / (D)
				Total purchase price RM	Progress billings/ total payment made as at the LPD RM	Progress billings/ total payment made as at the LPD ¹ RM	Balance to be paid as at the LPD ¹ RM	NBV as at 31.12.2016 RM	NBV as at the LPD RM				
Eco World	Eco Sky/ Condominium (Residential)	2	2014	1,515,310	870,110	645,200	419,710	870,110 ³	Ongoing	870,110 ³	62,320,315	2.4	
	Saujana Glenmarie/ Semi-detached house (Residential)	1	2015	3,286,185	3,286,185	-	3,198,554	3,176,646 ^s	Completed	3,176,646 ^s	30,146,962 ⁷	38.6 ⁷	
	Saujana Glenmarie/ Bungalow (Residential)	1	2015	3,937,200	3,937,200	-	3,832,208	3,805,960 ^s	Completed	3,805,960 ^s			
	Eco Sanctuary/ Semi-detached house (Residential)	2	2015	4,420,350	2,326,500	2,093,850	2,326,500	2,326,500 ³	Ongoing	2,326,500 ³			
Paramount Corporation Berhad	Utropolis Suites/ Serviced apartment (Residential)	1	2013	627,855	627,855	-	618,701	611,112 ^s	Completed	611,112 ^s	Nil ⁸	- ⁸	
Setia Haruman Sdn Bhd	Centrus @ CBD Perdana 3/ SOHO/ SOVO/ SOFO (Residential)	1	2013	664,600	664,600	-	643,554	639,124 ^s	Completed	639,124 ^s	25,173,472	2.6	

6. BUSINESS OVERVIEW (CONT'D)

Name of developer	Name/ Type of investment property	Unit	Year of purchase	(A) Total purchase price RM	(B) Progress billings/ total payment made as at the LPD RM	(A) - (B) Balance to be paid as at the LPD ¹ RM	NBV as at 31.12.2016 RM	NBV as at the LPD RM	Status of construction as at the LPD	(D) Total value of projects awarded by the said developer in the year of purchase ² RM	(A)/(D) Percentage of IP purchase price over project value %
	Ceria Residences/ Terrace house (Residential)	1	2014	1,271,860	1,271,860	-	1,004,100	1,265,501 ²	Completed	nil	-
Tropicana	Tropicana Grande Condominium (Residential)	1	2015	1,636,060	1,636,060	-	1,596,243	1,542,231 ²	Completed	138,551,624 ²	5.9 ²
	Tropicana Indah/ (Leasehold land)	1	2015	6,566,121	6,566,121	-	6,457,958	6,432,508	Not applicable		
Total (F)		11		23,925,541	21,186,491	2,739,050	20,097,528	20,669,692			
Grand total (E) + (F)		22		35,281,416	32,104,381	3,177,035	30,075,090	31,419,546			

6. BUSINESS OVERVIEW (CONT'D)**Notes:-**

*1 Further breakdown on the financing method for the material commitment are set out below:-

Name of developer	Name of investment property	Type of investment property	Unit	Material commitment as at the LPD RM	Mode of settlement (a)	
					Internally generated funds RM	Bank borrowings RM % (b)
Eco World	Tenderfield, Eco Majestic	Semi-detached house	1	284,400	-	284,400 100.0
	The Ivoris, Eco Majestic	Shop	1	153,585	-	153,585 100.0
	Eco Sky	Condominium	2	645,200	-	645,200 100.0
	Eco Sanctuary	Semi-detached house	2	2,093,850	-	2,093,850 100.0
Total			6	3,177,035	-	3,177,035 100.0

(a) For the avoidance of doubt, this is in reference to only the balance repayment for the respective investment properties

(b) The percentage refers to the proportion of internally generated funds and bank borrowings for the material commitment as at the LPD

*2 Being the contract value of the specific project awarded by the respective property developers which was related to the investment properties

*3 As at the LPD, the physical construction of these investment properties is still ongoing. As such, the cost of the respective investment properties is recognised based on progress billings issued by the property developers in proportion to the stage of completion of the investment properties. In view of the foregoing, the cost of the respective investment properties would be lower than the total purchase price. Based on the Group's accounting policy, investment properties under construction are stated at cost and are not depreciated. Hence, the NBV of the respective investment properties would be equal to the cost as at the LPD

*4 Being the Eco Majestic project at Beranang, Hulu Langat, Selangor with a contract value of RM114.20 million which was awarded to the Group in November 2013 and is expected to be completed in March 2018

*5 As at the LPD, the physical construction of these investment properties has been completed and the progress billings had been paid in full. In view of the foregoing, the cost of the respective investment properties would be equal to the total purchase price. Based on the Group's accounting policy, investment properties are stated at cost less depreciation. Hence, the NBV of the respective investment properties would be lower than cost as at the LPD

6. BUSINESS OVERVIEW (CONT'D)⁶

Being the aggregate contract value of all the projects awarded by the respective property developers during the financial year that the investment properties were purchased. For the avoidance of doubt, the contract value of a project may not be the same as the revenue recorded for the said project during the particular financial year. A contract value is a mutually agreed total amount that the contract customers pay to the Group on completion of the contract whereas revenue for a construction contract is recognised based on progress billing raised by the Group to its contract customers in accordance with the proportion of work performed

⁷

For the avoidance of doubt, the total investment properties purchased from Eco World in 2015 was RM12.67 million (including an investment property with total purchase cost of approximately RM1.02 million, which is currently in the midst of a sale arrangement) whilst the total project value awarded by the said property developer in 2015 was RM30.15 million. With the inclusion of the aforesaid investment property, the percentage of the total investment properties purchase price over total project value recorded in 2015 would be approximately 42.0%

The high percentage of investment properties purchase price over project value recorded in 2015 was mainly due to timing issue as bulk of the projects was awarded by Eco World to the Group in the prior financial years. However, based on the total project value for the past three (3) financial years of approximately RM134.81 million, the percentage of investment properties purchase price over the total project value for the past three (3) financial years would be approximately 13.3%. Further details on the projects awarded by Eco World to the Group during the financial years under review are set out in Table 2 below

⁸

For information purposes, the Group was not awarded with any projects by Paramount Corporation Berhad during the same year that the Group purchased the Utopolis Suites in 2013. Nevertheless, the Group has a long-running working relationship with Paramount Corporation Berhad since 2009. During the past three (3) financial years under review, the Group was only awarded one (1) project by the aforesaid property developer, namely the Bandar Amanjaya project which was awarded to the Group in November 2015 with contract value of RM14.10 million. For illustration purposes, the percentage of investment properties purchase price over the Bandar Amanjaya project was approximately 4.5%

⁹

For the avoidance of doubt, the total investment properties purchased from Tropicana in 2015 was RM8.20 million whilst the total project value awarded by the said property developer in 2015 was RM138.55 million. As such, the percentage of investment properties purchase price over project value recorded in 2015 was approximately 5.9%

6. BUSINESS OVERVIEW (CONT'D)**Table 2: Comparison between the total purchase price of the investment properties acquired from a particular property developer versus the projects awarded by the respective property developers during the financial years under review (FYE 31 December 2014 – FYE 31 December 2016)**

Property developer	Unit	Total purchase price RM	Total project value secured for the past three (3) financial years RM	Percentage of the respective investment properties purchase price over the respective total project value secured %
Eco World	10	17,920,689	134,803,057	13.3
NCT	2	2,007,072	-	-
S P Setia	5	4,587,159	54,650,214	8.4
Paramount Corporation Berhad	1	627,855	14,102,501	4.5
Setia Haruman Sdn Bhd	2	1,936,460	2,166,340	89.4
Tropicana	2	8,202,181	161,904,234	5.1
Total	22	35,281,416	367,626,346	9.6

For the avoidance of doubt, our Group was offered by NCT to acquire two (2) units of investment properties via a contra arrangement 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 the Taman Kenanga project awarded by NCT amounting to an aggregate of RM1.60 million, with the remaining RM0.40 million paid in cash. The aggregate purchase price of the said investment properties of approximately RM2.00 million (via contra arrangement) represents approximately 10.3% of the total contract value of the Taman Kenanga project. In essence, our Group did not receive cash consideration for the aforesaid progress billings amounting to RM1.60 million as the said amount was offset against two (2) units of investment properties (which have an aggregate purchase price of approximately RM2.00 million) whilst the remaining balance of RM0.40 million was paid to NCT in cash.

For investor's information, the Group's decision to accept the contra arrangement then was after taking into consideration the 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.

6. BUSINESS OVERVIEW (CONT'D)

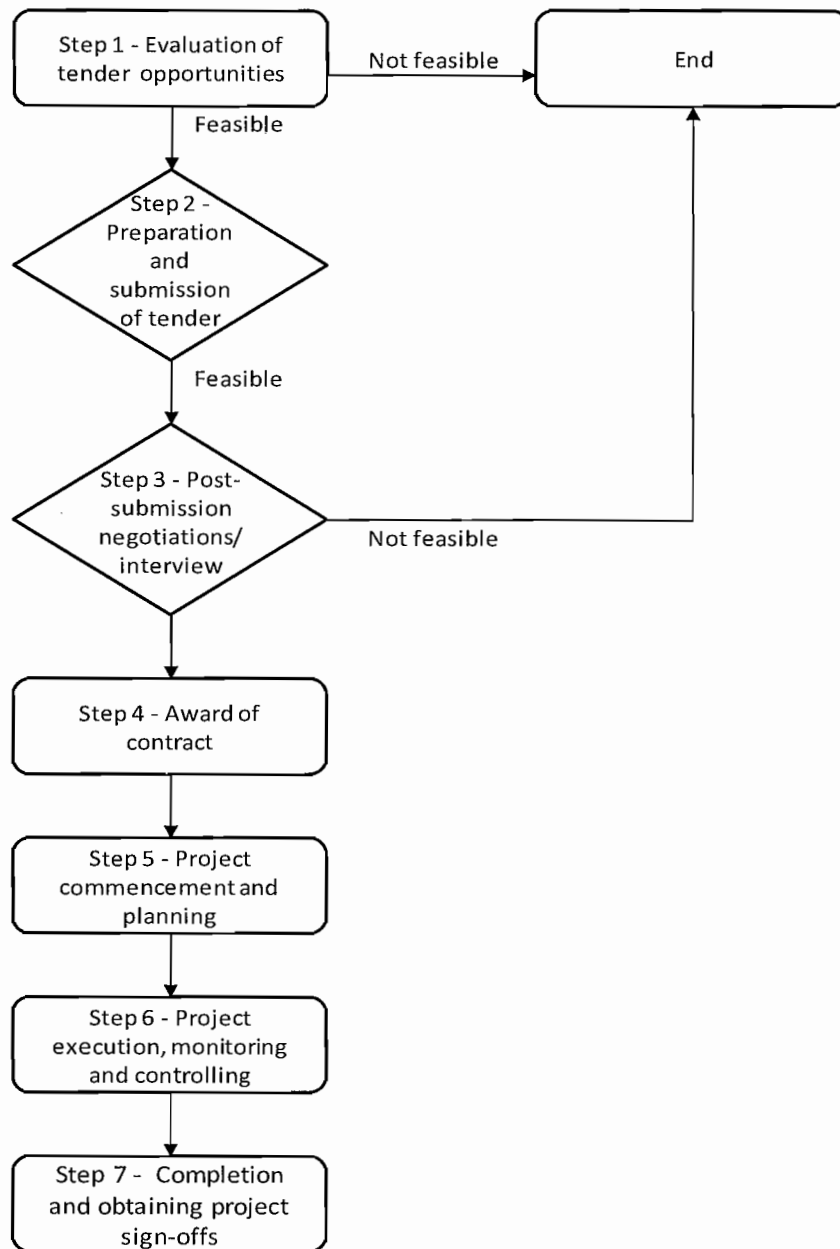
As set out in the table above, the percentage of the total investment properties purchase price over total project value secured by our Group for the past three (3) financial years under review generally ranges from nil to approximately 13.3%, with the exception of the investment properties acquired from Setia Haruman Sdn Bhd whereby the comparative percentage amounted to approximately 89.4%. For investors' information, the high percentage of the total purchase price of investment properties acquired from Setia Haruman Sdn Bhd over the total project value secured from Setia Haruman Sdn Bhd over the past three (3) financial years under review was mainly due to timing issue as bulk of the projects were awarded by Setia Haruman Sdn Bhd to the Group in 2013. Over the past three (3) financial years up to the FYE 31 December 2016, there was only one (1) project awarded by Setia Haruman Sdn Bhd to our Group with a contract value of RM2.17 million. For clarification, the percentage of the total purchase price of investment properties acquired from Setia Haruman Sdn Bhd over the total project value secured from Setia Haruman Sdn Bhd for the past four (4) financial years of RM27.34 million would have been amounting to approximately 7.1%.

Please refer to Section 6.16.3 of this Prospectus for further details on our investment properties.

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6. BUSINESS OVERVIEW (CONT'D)**6.2 Business process**

The diagram below depicts the flow of our business tendering process for our construction services as per our current business model:-



6. BUSINESS OVERVIEW (CONT'D)

Step 1 - Evaluation of tender opportunities

Most of our tender opportunities come via invitation from project principals whom we have previously worked with, or referrals from past customers. Nevertheless, we are also able to participate in open tenders. For the past three (3) financial years up to the FYE 31 December 2016 and the LPD, all our projects secured was via invitation from our existing customers, save for the construction and completion of civil works for West Coast Expressway (WCE) Interchange with a contract value of approximately RM239.81 million which commenced on December 2016 and is expected to be completed on June 2019 and earthworks and infrastructure works at Section 3 and part of Section 2 of the Kota Puteri project at Rawang with a contract value of approximately RM12.93 million value which commenced on October 2015 and is expected to be completed on August 2017. The aforementioned projects were awarded to our Group by means of participation in open tender.

Upon receiving invitation from a project principal or project consultant for tender, our Finance department will conduct a credit risk assessment, if necessary, on our potential customer's financial background and capacity in consultation with our key management team. Upon confirmation of the potential customer's creditworthiness, the Finance department will prepare the required documents fees and arrange for collection of tender documents from the potential customer's premise.

Step 2 - Preparation and submission of tender

Our Contracts department will then conduct a meeting to evaluate the project's requirement in terms of project timeline, schedule, location and technicality. After considering the availability of resources for the project, our team will proceed to prepare the tender for submission. The processes are set out below:-

- i. Establish requirements, specifications and schedule of the project from tender documents;
- ii. To clarify ambiguities in tender documents with project principal or project consultant;
- iii. Internal costing and budgetary evaluations on subcontractor costs, material costs and overheads to determine the pricing of the tender; and
- iv. Evaluate the availability of machinery, manpower and other resources according to the project timeline and schedule.

The final pricing of the tender quoted in the tender submission is determined after having evaluated all the related costs, including indicative prices of raw materials from suppliers and subcontractors. Once the management has finalised and confirmed the tender price, the tender will be submitted to the project consultant or customer's office, on or before the prescribed submission deadline.

Step 3 - Post-submission negotiations/ interview

Before the contract is awarded to us, the customer may call for an interview for clarification on details on the proposed tender, if necessary. Among the issues to be discussed are tender pricing, technical capabilities, related project experience, availability of plant and machinery including manpower, financial strength of our company, and project-completion time. In the event that there are any issues particularly on the timeline and pricing of the proposed tender which we are not able to resolve amicably during the negotiations/ interview, we will reject or turn down the offer to participate as a contractor.

6. BUSINESS OVERVIEW (CONT'D)

Step 4 - Award of contract

The notification of a successful tender is generally received from the project consultant or customer in the form of a letter of award within 60 to 90 days from the date of the submission of tender. Most customers require us to secure our performance by providing a performance bond within a stipulated timeframe after the award of the project. The value of the performance bond is usually five percent (5%) of the total contract value, and in the form of a bank guarantee provided by a licenced bank or financial institution acceptable to the customer.

Step 5 - Project commencement and planning

Once the letter of award is received, our project team will be assembled for the planning of project implementation and at the same time, the identified suppliers and subcontractors are formally contracted for the project. The project plan involves budgeting breakdown for resources required such as staffs costs, human labour, plant and machinery and construction materials. The temporary site facilities together with the necessary insurance coverage and signboard with details of the project will be put up, signifying the commencement of the project. Preparation and implementation of HSE policy will be on-going throughout the project life cycle to ensure safety at project site at all times.

Step 6 - Project execution, monitoring and controlling

The project team will manage the project based on the agreed scope of works. The project team will closely monitor the progress of the project according to the project's Gantt chart (a type of bar chart commonly used in project management that illustrates a project schedule) as well as bill of quantities and ensure that there are sufficient available resources to perform the work required. The on-going performance of the project execution will be reported on a daily basis to the project manager. A meeting with the representative of our customers will also be organised periodically to discuss on the status of the project, project issues and change requests. If a change to the scope of works is requested, a variation order will be prepared and executed by our customers.

Step 7 – Completion and obtaining project sign-offs

A project deliverable or a milestone is considered to be completed when a sign-off is successfully obtained from our customer or representative of our customer. During the duration of the project, there may be more than one (1) sign-off required depending on the terms and conditions stipulated in the letter of award. The project is fully completed upon obtaining the final sign-off from our customer. Subsequent to the completion of the project (receipt of CPC), our project generally carries a warranty period of 12 to 24 months. Should our customer require remedial works, we will undertake to rectify construction defects within the warranty period given.

6. BUSINESS OVERVIEW (CONT'D)

6.3 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

Our key management team has extensive experience in their respective fields of earthworks and civil engineering services. They ensure smooth operations and are a key factor of our service quality. Their experience and combined expertise enable us to execute projects in accordance with project specifications, safety precautions, deadline and budget, as well as allowing us to make knowledgeable, accurate and realistic alternative solutions to our customer based on their accumulated experience in handling similar situations and project conditions.

Due to the accumulated years of experience of our key management team, we are able to offer a one-stop solution for construction projects which require the provision of a combination of earthworks and civil engineering services. In addition, the extensive experience of our key management team in managing projects as mentioned above allows our Group to have a proper scheduling as well as coordination of projects intake and projects on-hand. Our key management team's on-site experience in coordinating resources also allows our Group to reduce idle time of our machinery.

The following is a summary of our Group's key management team along with their experiences garnered inside and outside of our Group during their career:-

No.	Key personnel	Designation	Date of employment with the Group	Years of experience in the construction industry	Years of service with the Group
1.	Dato' Phum	Group Chief Executive Officer	15.10.1990	41	27 ^{*1}
2.	Lim Swee Chai	Deputy Group Chief Executive Officer	13.01.1993	36	24 ^{*2}
3.	Ir. Yeo An Thai	Chief Operating Officer	14.05.2001	20	16 ^{*2}
4.	Tung Kai Hung	General Manager of Contracts	15.12.1999	31	18 ^{*2}
5.	Lim Kok Tiong	General Manager of Project Management	01.10.2006	20	11 ^{*2}
6.	Puah Kian Yiew	General Manager of Production and Operation	01.12.2006	17	11 ^{*2}
7.	Teh Heng Wee	Chief Financial Officer	01.10.2010	15	7 ^{*3}

Notes:-

*1 Calculated from the date of him joining Advancecon Infra

*2 Calculated from the date of him joining ASB

*3 Calculated from the date of him joining Advancecon

6. BUSINESS OVERVIEW (CONT'D)

Our Group is led by our Group Chief Executive Officer, Deputy Group Chief Executive Officer and two (2) Executive Directors, namely Dato' Phum, Lim Swee Chai, Ir. Yeo An Thai and Tung Kai Hung who each has knowledge and experience in excess of approximately 20 years in the construction industry in Malaysia. They have played significant role in the growth of our Group and have been instrumental in providing quality services as well as maintaining good relationships with our customers, suppliers and sub-contractors. Please refer to Sections 8.1.2 and 8.3.2 of this Prospectus for further details on our key management team.

ii. We own a sizeable fleet of machinery to support our business operations

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.

Based on our latest audited consolidated financial statements as at 31 December 2016, we own and operate 323 units of machinery (excluding motor vehicles) with a total NBV of approximately RM80.89 million. In addition, 172 units (excluding motor vehicles) of these machinery were within the age band of 1 – 3 years, 128 units (excluding motor vehicles) were within the age band of 4 – 7 years whilst the remaining 23 units (excluding motor vehicles) had been used for eight (8) years and above, further details of which are set out in Section 6.16.4 of this Prospectus.

As our Group's core operations rely on the machinery, it is vital that the machinery are regularly serviced and well maintained. We have established an in-house service and maintenance team, comprising technical personnel trained in industrial machinery repair and maintenance, who are in charge of the servicing and maintenance of our Group's machinery. This ensures that the machinery owned by our Group is serviced and maintained regularly so that the machinery can achieve consistent functionality and operational efficiency as well as to cater for any quick on-site repair works. Our maintenance team has also adopted a preventative maintenance schedule whereby periodical testing and maintenance works are performed at off-peak hours so as to prepare for forward planning, as a preventative measure to avoid unscheduled downtime during subsequent on-peak operational hours. 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. 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 work.

With our diverse range of machinery and our maintenance team's support, we are able to undertake projects of larger scale whilst minimising downtime, unexpected repair works and overhaul costs, which in turn lead to higher cost savings for our Group.

6. BUSINESS OVERVIEW (CONT'D)

In tandem with our expanding fleet of machinery, 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. For the avoidance of doubt, our workshop is headed by our Assistant General Manager of Workshop, namely Lam Wing King who supervises our internal servicing team of nine (9) mechanics as at the LPD to perform repairing and maintenance services for our machinery on a timely basis. Please refer to Sections 3.12(i)(b) of this Prospectus for further details on our in-house workshop.

iii. We are committed to maintaining quality standards in undertaking all of our construction projects

We strive to render superior service quality and ensure customers' satisfaction in the delivery of all of our projects. Since our establishment, our Group has established a reputation as a quality provider of consistent earthworks and civil engineering services. Our commitment in quality standards is proven by the accreditation of our QMS in compliance with ISO 9001:2008 by IEC since 2009. Specifically, our Group's QMS was certified with the ISO 9001:2008 accreditation on 25 June 2009 and the subsequent revision of the ISO 9001:2008 certification on 8 June 2015 for the provision of civil engineering and infrastructure services. Our quality consistency over the years has helped us establish a reputation as a reliable and trustworthy partner in the earthworks and civil engineering services market, and this has further strengthened our customers' faith in our capabilities.

iv. We have a proven track record in the earthworks and civil engineering services market

We have been involved in the earthworks and civil engineering services market for approximately 27 years, which has contributed well to our brand name in the construction industry in Malaysia. We believe that, over the years, we have established a track record in completing our projects on time and have built a reputation for delivering quality earthworks and civil engineering services in accordance to our customers' requirements. Our proven track record in securing contracts and our key achievements and milestones as disclosed in Sections 5.1.2 and 5.8 of this Prospectus has earned us recurring customers and new customers through referrals and recommendations from existing customers. For the past three (3) financial years up to the FYE 31 December 2016, there were a total of 53 earthworks and/ or civil engineering projects which had contributed revenue to our Group's construction services business. The total revenue generated from these projects was RM628.65 million, and our single largest contract was the construction and completion of civil works for West Coast Expressway (WCE) Interchange which had a contract value of RM239.81 million and awarded to our Group on December 2016. Please refer to Section 11.3 of this Prospectus for the summary of our notable earthworks and/ or civil engineering projects with revenue contribution to our Group for the past three (3) financial years up to the FYE 31 December 2016.

6. BUSINESS OVERVIEW (CONT'D)

Leveraging on our technical expertise and the knowledge of the properties of various types of construction materials, we are capable of providing pragmatic approach in construction and submitting competitive quotation for potential projects. Our service quality and track record have also won us long-running working relationships with certain property developers and construction companies in Malaysia, where we have received frequent invitation to participate in tenders for earthworks and civil engineering works, contributing to a growing project portfolio. For example, we managed to secure contracts from S P Setia group for our construction services in its Bandar Setia Alam project, Bukit Indah project and Setia Eco Hill development projects, Eco World group for our construction services in its Eco Business Park 1 project, Eco Business Park 2 project and Eco Majestic project and Tropicana group for our construction services in its Tropicana Aman projects.

6.4 Principal markets

Our principal market of operations is the Malaysian market. As at the LPD, all our customers and projects are based in Malaysia. We intend to continue focusing on the local earthworks and civil engineering services market in line with our expertise, track record and capacity in the country. Equipped with our 27 years of experience in the earthworks and civil engineering services market, we will step up our efforts to target larger-scale earthworks and civil engineering services for residential or commercial property development projects with contract value exceeding RM50 million. In addition, we will also allocate resources on projects related to the construction of public infrastructures (roads or highways), which is evident from our submitted tenders for some of the sub-contracting jobs involving Government projects such as the sub-contracts for the Pan Borneo Highway project in Sarawak and the highways of Damansara-Shah Alam Elevated Expressway ("DASH") project and the Sungai Besi-Ulu Klang Elevated Expressway ("SUKU") project. For investors' information, our Group had secured a subcontract for the development and upgrading of the proposed Pan Borneo highway in the state of Sarawak (from Sg Awik Bridge to Bintangor Junction) which had a contract value of RM105.23 million and awarded to our Group on December 2016.

6.5 Seasonality of our business

The earthworks and civil engineering market are highly dependent on the property development market which is also subject to the general construction industry which is in turn, to certain extent reliant on government expenditure and investment. Any change in government policies will have direct impact on the growth of the construction industry. In recent years, the Government has rolled out various construction projects to spur growth in this industry which allow us to expand our business.

In the Budget 2017, the Government announced that approximately RM25.9 billion will be allocated for the economic sector under the development expenditure. It was mentioned that public transport is central to the daily mobility for the rakyat in moving towards development. The rakyat looks forward towards a safer, more efficient and comfortable public transport. The Kelana Jaya and Ampang LRT lines commenced operations in June 2016 whilst the Sungai Buloh – Kajang MRT line was launched in December 2016, benefitting 1.2 million users in Klang Valley. The Government is also committed to upgrade public transport in rural areas, including accelerating the implementation of Pan Borneo Highway in Sabah and Sarawak. There are numerous other ongoing and proposed infrastructure and major development project which would create opportunities for construction services providers in Malaysia up to 2022.

6. BUSINESS OVERVIEW (CONT'D)

The rolling out of such infrastructure projects by the Government is expected to spur up future property development projects as infrastructure projects help to open up the undeveloped land for the onward development of commercial and residential projects. As at the LPD, our Group has submitted tender for some of the sub-contracting jobs involving Government projects such as the sub-contracts for the Pan Borneo Highway project in Sarawak, the DASH project and the SUKE project. For investors' information, our Group had secured a subcontract for the development and upgrading of the proposed Pan Borneo highway in the state of Sarawak (from Sg Awik Bridge to Bintangor Junction) which had a contract value of RM105.23 million and awarded to our Group on December 2016.

For the avoidance of doubt, the key difference 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) is in relation to the layer of compaction required during the paving process to achieve the optimal load bearing capacity of the road or highway. 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 sub-base and road-base materials and resulting in more layers of road pavement to be compacted. For instance, a highway generally requires four (4) layers of fill material of 150mm each to be compacted to achieve a compacted pavement thickness of approximately 600mm, whereas a road generally requires two (2) layers of fill material of 150mm each to achieve a compacted pavement thickness of approximately 300mm.

In addition, the construction of a highway generally requires longer tenure to complete due to larger scale of works to be undertaken in consideration of the distance, number of lanes, lane width and other geometric design of the highway. As such, our Group would require additional machinery, labour and longer duration to carry out road works for infrastructure project as compared to property development project. For the avoidance of doubt, the types of machinery required to undertake road works for infrastructure projects and property development projects are the same. Based on our latest audited consolidated financial statements as at 31 December 2016, we own and operate 323 units of machinery (excluding motor vehicles) with a total NBV of approximately RM80.89 million and as at the LPD, we have not experienced difficulties in acquiring or replacing our machinery which are financed through the combination of hire purchase and internally generated funds.

Furthermore, our management team has extensive industry knowledge and project experience in the handling infrastructure projects for road and highway. Ir. Yeo An Thai, who is our Chief Operating Officer and a registered Professional Engineer with the Board of Engineers Malaysia, has approximately 20 years of working experience in the construction industry. He had managed several highway projects undertaken by Gamuda Berhad in the past and currently oversees the execution of our construction projects with the support of other key management personnel. For information purposes, we have undertaken two (2) infrastructure projects in relation to the construction of highway with an aggregate contract value of approximately RM84.42 million during the past three (3) financial years, further details of which can be seen as follows:-

Project details	Industry	Contract value RM'million	Commencement/ completion date
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

6. BUSINESS OVERVIEW (CONT'D)

Project details	Industry	Contract value RM'million	Commencement/ completion date
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
Total		84.42	

Please refer to Section 6.17 of this Prospectus for our Group's future plans and strategies.

6.6 Types, sources and availability of materials/ input

The following are the major types of raw materials and service procured for our Group's business operations for the FYE 31 December 2016:-

Types of raw materials/ services	Purpose	Value of purchases RM'000	Percentage of total purchases %
Services			
Subcontractor Cost	Payment to subcontractor for work rendered	69,389	52.5
Hiring of Machinery	Machinery used for carrying out construction work	5,574	4.2
Repair and Maintenance Services	Repair and maintenance work on our fleet of machinery	12,040	9.1
		87,003	65.8
Materials and Consumables			
Industrial Diesel	Diesel is used as fuel in machinery and equipment	14,845	11.2
Quarry Products	Construction material	11,255	8.5
Precast Products	Material for drainage works	5,663	4.3
Other building and construction materials* ¹	Material to complete infrastructure & associated works	13,526	10.2
		45,289	34.2
		132,292	100.0

Note:-

*¹ Mainly consist of premix products (i.e. asphalt, sand and steel bar), ready-mix concrete, lubricants, explosive products, gabion and bitumen emulsion

The bulk of our services procured are contributed by subcontractor cost and raw materials used for our business such as industrial diesel, quarry products and precast products. Our Group has also developed standardised procedures in selecting subcontractors and suppliers. All selected subcontractors are analysed prior to awarding of subcontracts. Our Group select only experienced subcontractors based on their past track record.

6. BUSINESS OVERVIEW (CONT'D)

All our raw materials are sourced locally. The prices of our principal raw materials such as industrial diesel, quarry products and precast products are subject to price fluctuations caused by supply and demand conditions. Diesel is an oil-based substance that is produced from the fractional distillation of crude oil and hence, we are exposed to crude oil price fluctuation. For instance, the average market prices of diesel on an annual basis was RM2.60 per litre, RM1.92 per litre and RM1.62 per litre for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Please refer to Section 11.3 (ii) of this Prospectus for further details on our raw materials cost.

6.7 Technologies and R&D

We are generally a service provider in the earthworks and civil engineering market in the construction industry, and hence, our Group is not materially involved in the R&D of technology but rather a user of technology. From the aspect of being a service provider, the extent of our R&D involves research into the latest technologies and techniques developed or deployed in the earthworks and civil engineering markets to constantly update or improvise our knowledge, skill and technical capabilities as well as to enhance our current service offerings and performance. For example, we have invested in high capacity machinery such as the EC480D and EC700C Volvo Excavators. The EC480D excavator has a bucket capacity ranging from 1.8-3.8m³ and gross maximum power of 360hp while the EC700C excavator has a bucket capacity ranging from 2.5-6.6m³ and gross maximum power of 464hp. The high capacity of these excavators helps enhance our Group's efficiency in carrying out earthworks activities.

6.8 Quality assurance procedures and management

6.8.1 Main quality objectives

Our Group places strong emphasis on our quality control procedures to meet our customer's expectations and to comply with the ISO's standards and regulations set by the Government. Our Group ensures proper implementation and execution of stringent quality standards and procedures at each stage throughout the business processes.

Our current quality objectives are:-

- i. To achieve a minimum of 90% of the total number of projects undertaken to be able to submit monthly progress claim on time;
- ii. To achieve an average of eight (8) hours per head of training per calendar year for employees who are involved in our construction projects;
- iii. To achieve a minimum of 65% of the total number of projects undertaken being able to progress on schedule; and
- iv. To achieve a minimum of 98% of the approved suppliers achieving a performance rating of grade A, grade B or grade C. Supplier performance is rated for each of our projects. The grades are assessed based on seven (7) internal criteria (i.e. quality of products/services, delivery performance, aftersales service, responsiveness, ability to meet project requirement, price and market reputation).

6. BUSINESS OVERVIEW (CONT'D)

6.8.2 Ensuring quality through stringent partner selection

In line with our mission of constructing solid foundation, our Group has also developed standardised procedures in selecting subcontractors and suppliers. All the subcontractors and suppliers are analysed prior to being selected. Our Group selects only experienced subcontractors and suppliers with proven track record and financial strength to ensure the best quality of works and services delivered to the customers.

6.8.3 Quality assurance team

Our quality management team comprises eight (8) committee members and is led by one (1) of our employees who is a management representative. Internal audit is conducted at least once a year, and is carried out on cross-checking basis amongst departments by our own internal auditors to ensure more findings and improvements throughout the auditing process. An external audit is conducted by IEC every year.

6.8.4 ISO 9001:2008 compliance

Our Group's QMS was certified with the ISO 9001:2008 accreditation on 25 June 2009 and the subsequent revision of the ISO 9001:2008 certification on 8 June 2015 for the provision of civil engineering and infrastructure services.

Our Group has established a complete QMS, which complies with ISO requirements in ensuring the proper execution of our business processes to constantly meet our customer's expectations within the given timeframe. As part of these processes, our audit team measures and monitors the characteristic of the service to verify that the requirements for the services are met. Our audit team also ensures that services, which do not conform to the service requirements, are identified and controlled to prevent unintended implementation. Corrective actions will be taken to eliminate the cause of non-conformities of the services in order to prevent recurrence of the problem.

Our management is committed to the execution of the procedures established in the quality manual whilst the quality assurance personnel has complete authority to carry out the quality assurance system to identify non conformances, and to initiate, recommend and rectify the problems identified. The quality manual is reviewed as and when necessary to comply with our customers and our Group's procedures.

Our company focuses on the following criteria for our quality assurance:-

i. Resource management

Our Group recognises the experience and right working attitudes of our employees as an intangible asset in driving our company towards constantly meeting our customers' expectations and conforming to the required standards and regulations set by several government bodies in relation to the local construction industry which include, but are not limited to, the CIDB and the NWSC. Hence, we ensure each of our employees possesses the necessary competency and is aware of his specific job functions from time to time.

Each new entrant is briefed on his job function and provided information regarding our Group's background, structure and policy especially our QMS. Besides that, new entrant is also guided by his immediate superior in executing his job until he is familiar with our Group's procedures and QMS.

6. BUSINESS OVERVIEW (CONT'D)

On top of that, our Group also provides formal training to our employees from time to time to equip them with the required knowledge and skills to carry out their tasks, conforming to ISO requirements and the relevant government regulatory bodies. Training requirements are identified by our human resource manager and the management representative. The formal training provided to the site team covers the following criteria:-

- Purpose and objectives of quality system
- Quality system elements
- Documentation involved
- Technical nature of their duties
- Functional relationships
- Job responsibilities and functions

ii. Measurement, analysis and improvement

Our Group employs internal auditing as an approach to review our conformity to Government regulations and the ISO standards, which will be assessed annually by IEC. Each department will be responsible to conduct audit on another department based on the prepared checklist. Our internal cross-checking effort ensures higher compliance to the regulations and requirements before being assessed by the relevant authorities.

The results of audit are documented systematically for management review. Corrective action is taken if any non-conformity is highlighted during the auditing process. Follow-up audit is conducted if necessary to ensure that all non-conformity issues are resolved.

6.8.5 HSE policies

We understand that our business operation involves the use of heavy machinery and our workers are subject to accidents at project site. Our Group is fully committed in pursuing the quality of services provided while taking care of the health and safety of all our staff as well as ensuring our operations leave minimal impact on the environment.

To ensure the health and safety of all staff involved in the operation, we have set in place a strict HSE policy which is strictly enforced by our project supervisors. Our HSE policy complies with laws and regulation governing our industry and is constantly updated according to the latest changes.

Our HSE policy objectives can be seen as follows:-

- i. Management, to the best of its ability, is responsible for preventing all injuries;
- ii. The machinery at project site are properly operated and maintained in accordance with appropriate legal and contract requirements, industrial standards and best practices;
- iii. All employees are informed, instructed, trained and supervised on how to perform their job safely and without risk to health;

6. BUSINESS OVERVIEW (CONT'D)

- iv. All accidents and near misses shall be reported and corrective measures shall be taken to ensure the accidents and near misses will not recur;
- v. Whenever there is a conflict between the objectives of the DOSH's and our Group's mission objectives, the DOSH's objectives shall be the first consideration;
- vi. All employees and contractors are expected to strictly adhere to HSE rules at all times;
- vii. Develop and foster a strong environmental culture with a high level of awareness in the context of our commitment;
- viii. Ensure every employee and other interested parties conduct themselves in a manner consistent with our Group's environmental objectives;
- ix. Prevent accident and environmental pollution to water, land and air; and
- x. Ensure conformity to legal and other regulatory requirements at all times.

To meet the HSE objectives, our Group has established a HSE committee. Headed by the project manager, our HSE committee consists of a committee secretary, and eight (8) employee representatives. A safety officer and a safety supervisor will also be assigned for each individual project. The safety supervisor is posted on site and is responsible for monitoring and enforcing the safety policies on all personnel on site. Weekly inspections will be carried out and safety reports will be made on a monthly basis.

In case of non-conformity, the safety supervisor will report it to the senior management and corrective measures will be taken to ensure effective implementation of HSE policies.

6.9 Sales and marketing strategies

Our Group's sales and marketing strategies are set out below:-

i. Collaboration with past customers and customer referrals

Our marketing approach and strategy is dependent on our track record and reputation in the construction industry, which has been solidified over the years. Our Group's track record and reliability as an earthworks and civil engineering services provider has helped us establish a strong and mutually beneficial relationship with our customers. Our track record and goodwill with satisfied project principals continue to perpetuate new and greater business opportunities either through recurring business and/ or recommendations to other prospective customers.

6. BUSINESS OVERVIEW (CONT'D)

This is witnessed by the fact that all our projects were secured via invitation from our existing customers, save for the construction and completion of civil works for West Coast Expressway (WCE) Interchange with a contract value of approximately RM239.81 million which commenced on December 2016 and is expected to be completed on June 2019 and the earthworks and infrastructure works at Section 3 and part of Section 2 of the Kota Puteri project at Rawang with a contract value of approximately RM12.93 million value which commenced on October 2015 and is expected to be completed by August 2017. Tender invitations and referrals represent more exclusive opportunities that offer a greater chance of success upon participation. The familiarity that comes with working in collaboration with past project principals also creates a synergy that leads to work effectiveness and efficiency over the project period.

ii. Contracts department

Maintaining our working relationship with our customers is paramount to our Group's business development. As such, our Contracts department which is responsible for acting on project leads and sourcing for new projects for our Group, is also in charge of managing relationship with existing and potential customers. Our contracts team is generally responsible for liaising and networking with our customers and keeping abreast of market developments and potential business opportunities. We also rely on word-of-mouth by providing quality service in each of our projects in order to attract referral or for retaining our customers in future projects. In addition, our contracts team always endeavours to accommodate any reasonable request made by our customers if possible, given that the request does not cause any significant financial impact or undue disruption to our daily operation. As at the LPD, our Contracts department consists of 18 personnel and is headed by our Executive Director, namely Tung Kai Hung.

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6. BUSINESS OVERVIEW (CONT'D)

6.10 Approvals, major licences and permits obtained

Save as disclosed below, as at the LPD, there are no other approvals, major licences and permits issued to our Group in order for us to carry out our operations other than those pertaining to the general business requirements.

Details of the approvals, major licences and permits obtained by us for the business and operations of our Group are set out below:-

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
Advancecon Infra	CIDB	From 15.06.2016 to 15.06.2019	Grade "7" licence for specialisation in:-	A252593 /1960828- WP004806	(i) General conditions	Noted
			(i) Category B:-		(a) This certificate is non-transferable; and	
			(a) B04: Building works		(b) CIDB reserves the right to review the registration grade of Advancecon Infra from time to time;	Noted
			(ii) Category CE:-		Responsibilities and obligations	Complied
			(a) CE21: General civil engineering works;		(a) Advancecon Infra shall comply with the provisions of the CIDB Act 1994 the regulations made thereunder any term, condition or restriction imposed by CIDB from time to time;	
			(b) CE36: Earthworks;		(b) Advancecon Infra shall not participate any tender or execute any construction works after this certificate has expired and unless it is renewed;	
			(c) CE24: Tower structures;		(c) (i) Advancecon Infra shall not undertake any construction project which exceeds the value of construction works specified under the registration grade and	
			(d) CE01: Road and pavement construction;			
			(e) CE34: Pre-cast concrete installation work;			
			(f) CE41: Water retaining structures;			
			(g) CE10: Piling works;			
			(h) CE12: Soil investigation;			
					Not applicable. As a G7 licence holder, there is no limit to the value of the value of construction works tendered by Advancecon Infra	

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
			(i) CE19: Sewerage system;		(ii) Advancecon Infra shall not execute any construction works which is outside its registered category;	Noted and complied
		(i) CE02: Bridge and jetty construction; and			(d) Advancecon Infra shall submit information regarding any new construction works or contracts within one (1) month of the award;	Complied. Any new construction works or contracts is submitted within one (1) month from the date of receipt of the award
		(k) CE25: Rock blasting works.			(e) Advancecon Infra shall submit any information required from CIDB from time to time;	Noted and complied
					(f) Advancecon Infra shall display the certificate of registration issued by CIDB or a certified true copy of the certificate by CIDB at the place of business;	Complied and will continue to comply
					(g) Advancecon Infra shall display its registration number on the signboard at each construction site;	Complied and will continue to comply
					(h) Advancecon Infra shall apply for renewal of registration at any time within 60 days before the expiry date specified in this certificate. Any application received by CIDB later than 30 days before the expiry of the certificate of registration shall be imposed with a fee of RM200 for late renewal; and	Noted and complied

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
					(i) shall comply with all requirements and stipulations in Advancecon Infra's code of ethics;	Complied
					(iii) Disciplinary actions	
					The registration of Advancecon Infra shall be cancelled, suspended or revoked if:-	
					(a) Advancecon Infra fails to comply with the requirement of any other written law;	Noted
					(b) Advancecon Infra has been adjudicated a bankrupt;	Noted
					(c) A winding up petition in relation to Advancecon Infra has been presented;	Noted
					(d) Advancecon Infra contravenes or fails to comply with any provision of the CIDB Act 1994;	Noted
					(e) Advancecon Infra has obtained the certificate by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise;	Noted
					(f) Advancecon Infra has abandoned any construction undertaken without any good reason;	Noted
					(g) Advancecon Infra is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; or	Noted
					(h) Advancecon Infra contravenes any of the terms and conditions of the contractor's responsibilities and obligations as specified in item (i) above.	Noted

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
					(ii) Responsibilities of the Company/Holder of the certificate	
					(a) Advancecon Infra shall not lend, lease, transfer, permit or do anything that will cause the certificate to be used by someone who has not been named to use this certificate for the purpose of procuring the government work.	Complied
					(b) Only officers of the company who are named in this certificate is authorised to sign the company contract documents and take or authorise the employees to take document tendered.	Complied
					(c) The company holder of the certificate shall ensure all terms and conditions to obtain this certificate are complied with at all times during the period of validity of this certificate.	Noted
					(d) The company/holder of this certificate shall inform CIDB of any changes of information within 21 days from the date of occurrence of the said change.	Noted
					(e) The company/holder of this certificate shall comply with all the instructions and resolution of government via treasury instructions, treasury circular letters and circulars issued by Jabatan Teknikal (Jabatan Kerja Raya/ Jabatan Pengairan & Saliran) from time to time.	Complied
					(f) The company/holder of this certificate shall comply with all instructions and resolutions issued by CIDB from time to time.	Complied

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
					(iii) Disciplinary actions	
					(a) The company/holder of this certificate shall be subject to disciplinary action as set out in Regulation 15 of the Registration of Contractors (Construction Industry) Regulations 1995 in the event of failure to comply with item (ii) above.	Noted
					(b) CIDB has the right to take disciplinary action and impose any punishment on registered contractor.	Noted
					(c) The company/holder of this certificate who has been blacklisted, suspended, revoked or which this certificate has been withdrawn due to disciplinary proceeding shall not participate in any tender or involve in government procurement work.	Noted
					(d) The company/holder of this certificate whose certificate has been revoked or withdrawn will be removed from the register of CIDB. Such company/holder of this certificate shall comply with the terms and conditions of the issuance of SPKK for new application. A blacklisted key management personnel is prohibited from obtaining SPKK for a period of three (3) years.	Noted
					(e) The company/holder of this certificate who has been blacklisted and suspended shall participate in tender or government procurement work only after the expiry of the blacklisting or suspension period.	Noted

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
					(g) Advancecon Infra shall at all times deal with consumers fairly and reasonably and where applicable, comply with the consumer standards;	Noted
					(h) Advancecon Infra shall at all times safeguard the safety of the public and its employees and shall at all times comply with relevant occupational, health and safety procedures and regulations imposed by the relevant authority;	Noted
					(i) Advancecon Infra, its employees and servants shall at all times comply with the applicable health requirements by the relevant health authorities;	Noted
					(j) Advancecon Infra shall observe and comply with the obligations of the permit and the provisions of the CIDB Act 1994 and any subsidiary legislation made or other instruments issues under the CIDB Act 1994; and	Noted
					(k) Advancecon Infra shall comply with such other conditions as may be imposed by the Commission from time to time;	Noted
					(ii) Special conditions	
					(a) Advancecon Infra shall ensure that they always have qualified workers to carry out company operations; and	Noted
					(b) Advancecon Infra shall ensure that works that have been subcontracted out to other contractors are legitimate NWSC permit holders.	Noted

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
Advancecon Infra	Ministry of Domestic Trade, Co- operatives and Consumerism	From 05.04.2017 to 04.04.2018	Permit for Scheduled Controlled Items	Serial No : B021990	<p>(i) The permit holder is allowed to purchase diesel with the quantity of 32,000 litres;</p> <p>(ii) The permit holder is not allowed to store the controlled item in any other place other than in Lot 35, Lot 1252 & part of Lot 1365 Mukim Beranang, Daerah Hulu Langat, Selangor;</p> <p>(iii) The permit holder cannot own more of the controlled item as stated in the permit;</p> <p>(iv) The permit cannot be transferred;</p> <p>(v) The controlled item is only for own use and not for sale;</p> <p>(vi) The permit holder needs to keep the receipt of purchase of the controlled items for examination;</p> <p>(vii) Skid tanks for the storage of the controlled items has to be labelled;</p> <p>(viii) The permit is only valid for the duration as stated in the permit and any renewals will need to be done one month prior to expiry;</p> <p>(ix) The permit holder is subject to the Controlled Items Act 1961 and its subsidiary acts;</p> <p>(x) If the permit holder does not use the controlled items, the permit holder needs to return the controlled items to the officer; and</p> <p>(xi) If the permit holder gives false information or is against any rules, the permit can be revoked at any time.</p>	Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
Advancecon Infra	Ministry of Domestic Trade, Co- operatives and Consumerism	From 12.08.2016 to 11.08.2017	Permit for Scheduled Controlled Items	Serial No : B023019	(i) The permit holder is allowed to purchase diesel with the quantity of 32,000 litres; (ii) The permit holder is not allowed to store the controlled item in any other place other than in Lot PT 33010, PT 33019-PT 33028, Mukim Tanjung Dua Belas, Jalan Kebun, 40200 Klang Selangor;	Noted and complied Noted and complied
					(iii) The permit holder cannot own more of the controlled item as stated in the permit;	Noted and complied
					(iv) The permit cannot be transferred;	Noted and complied
					(v) The controlled item is only for own use and not for sale;	Noted and complied
					(vi) The permit holder needs to keep the receipt of purchase of the controlled items for examination;	Noted and complied
					(vii) Skid tanks for the storage of the controlled items has to be labelled;	Noted and complied
					(viii) The permit is only valid for the duration as stated in the permit and any renewals will need to be done one month prior to expiry;	Noted and complied
					(ix) The permit holder is subject to the Controlled Items Act 1961 and its subsidiary acts;	Noted and complied
					(x) If the permit holder does not use the controlled items, the permit holder needs to return the controlled items to the officer; and	Noted and complied

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
Advancecon Infra	Ministry of Domestic Trade, Co- operatives and Consumerism	From 19.01.2017– 18.01.2018	Permit for Scheduled Controlled Items	Serial No: B023742	<p>(x) If the permit holder does not use the controlled items, the permit holder needs to return the controlled items to the officer; and</p> <p>(xi) If the permit holder gives false information or is against any rules, the permit can be revoked at any time.</p> <p>(i) The permit holder is allowed to purchase diesel with the quantity of 32,000 litres;</p> <p>(ii) The permit holder is not allowed to store the controlled items in any other place other than in PT8 (22218), PT9 (22219), PT (20090) (244038), 40170 Bukit Raja, Selangor;</p> <p>(iii) The permit holder cannot own more of the controlled item as stated in the permit;</p> <p>(iv) The permit cannot be transferred;</p> <p>(v) The controlled Items is only for own use and not for sale;</p> <p>(vi) The permit holder needs to keep the receipt of purchase of the controlled items for examination;</p> <p>(vii) Skid tanks for the storage of the controlled items has to be labelled;</p> <p>(viii) The permit is only valid for the duration as stated in the permit and any renewals will need to be done one month prior to expiry;</p> <p>(ix) The permit holder is subject to the Controlled Items Act 1961 and its subsidiary acts;</p>	Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied Noted and complied

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
Advancecon Infra	Ministry of Domestic Trade, Co- operatives and Consumerism	From 07.12.2016 - 06.12.2017	Permit for Scheduled Controlled Items	Serial No: B023339	<p>(x) If the permit holder does not use the controlled items, the permit holder needs to return the controlled items to the officer; and</p> <p>(xi) If the permit holder gives false information or is against any rules, the permit can be revoked at any time.</p> <p>(i) The permit holder is allowed to purchase diesel with the quantity of 32,000 litres;</p> <p>(ii) The permit holder is not allowed to store the controlled Items in any other place other than in Seri Seri, Mukim Rawang, Daerah Gombak, 48050 Rawang, Selangor Darul Ehsan;</p> <p>(iii) The permit holder cannot own more of the controlled item as stated in the permit;</p> <p>(iv) The permit cannot be transferred;</p> <p>(v) The controlled Items is only for own use and not for sale;</p> <p>(vi) The permit holder needs to keep the receipt of purchase of the controlled items for examination;</p> <p>(vii) Skid tanks for the storage of the controlled items has to be labelled;</p> <p>(viii) The permit is only valid for the duration as stated in the permit and any renewals will need to be done one month prior to expiry;</p> <p>(ix) The permit holder is subject to the Controlled Items Act 1961 and its subsidiary acts;</p>	<p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p> <p>Noted and complied</p>

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
Chan Keng Kong	Royal Malaysian Police	From 01.04.2017 to 31.03.2018	Shotfirer Licence	00316 (0035)	(x) If the permit holder does not use the controlled items, the permit holder needs to return the controlled items to the officer; and (xi) If the permit holder gives false information or is against any rules, the permit can be revoked at any time.	Noted and complied
Ng Chee Yung	Royal Malaysian Police	From 01.04.2017 to 31.03.2018	Shotfirer Licence	00315 (806)	None	None
Advancecon	Majlis Bandaraya Petaling Jaya	From 01.01.2017 to 31.12.2017	Business trade and industrial licence for management office at No. 16 & 18, Jalan Pekaka 8/3, Seksyen 8, Kota Damansara, 47810 Petaling Jaya	L950000185793	None	None
Advancecon, Advancecon Infra, Advancecon Machinery, Advancecon Trading, Advancecon Properties and Inspirasi Hebat	Royal Malaysian Customs Department	Date of issuance: 30.09.2014	Goods and Services Tax	Advancecon: 001857490944 Advancecon Infra : 00736018432 Advancecon Machinery: 000900489216 Advancecon Trading: 00250232832 Advancecon Properties: 001419939840	The registered person shall notify the senior officer of customs on, inter-alia, the following:- (a) Change of name or business; (b) Change of business address; (c) Change of director, shareholder, key officer, representative or authorised person; (d) Change of status of the business; or (e) Change of business activity.	Noted Noted Noted Noted Noted

6. BUSINESS OVERVIEW (CONT'D)

Company/ individual	Approving authority/ issuer	Validity	Type of licence and certificate	Certificate no./ Registration no./Permit no.	Conditions imposed	Status of compliance
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Inspirasi Hebat :
001737736192

Our Group have not experienced any difficulties in renewing its approvals, major licenses and permits in the past and have not experienced, nor do we anticipate any major difficulty in obtaining approvals and renewal for the necessary approvals, major licenses and permits within a reasonable timeframe which may impact the business continuity of our Group.

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6. BUSINESS OVERVIEW (CONT'D)**6.11 Brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights**

Save as disclosed below, as at the LPD, we do not have any other brand names, patents, trademarks, technical assistance agreements, franchises and other intellectual property rights for our business operations:-

Company	Trademark	Class	Application number/ Trademark number	Approving authority	Status/ Registration validity
Advancecon		37	2015059744	Intellectual Property Corporation of Malaysia ("MyIPO")	Registered ^{*1/} 22 June 2015 to 22 June 2025 Certificate issuance date: 10 August 2016
Advancecon		37	2016064087	MyIPO	Application for the trademark has been filed on 2 August 2016 ^{*2}

Notes:-

^{*1} Notwithstanding that the trade mark has been registered with MyIPO for a period of ten (10) years from 22 June 2015 to 22 June 2025, the Board does not intend to use this trademark moving forward and it shall be kept as an intellectual property of the Company. This is in line with the rebranding exercise undertaken by the Group

^{*2} MyIPO had, via a letter dated 11 November 2016, objected to our application as the trademark in question does not comply with the Trade Mark Act 1976 on the following aspects:-

- (i) The mark uses words/ several words that were not invented and therefore contravene Section 10(1) (c) of Trade Mark Act 1976
- (ii) The mark is a word/ some words that have a direct reference to the character or quality of the goods / services. It is inconsistent with Section 10 (1) (d) of Trade Mark Act 1976
- (iii) The mark is not distinctive and could not be used to distinguish the goods/ services of the trade mark owner with the goods/services of another person in the course of trade and thus violates Section 10(1) (e) of Trade Mark Act 1976

Quality Oracle Sdn Bhd, which filed the application on behalf of us, had submitted a written appeal to the objection to MyIPO on 11 January 2017, of which we are pending for MyIPO's reply as at the LPD. In the event there is an unfavourable decision from the appeal submitted to MyIPO, we will take immediate steps to amend and refile a new trade mark.

6. BUSINESS OVERVIEW (CONT'D)

6.12 Dependency on patents, licences, industrial, commercial or financial contracts or arrangements

Save for the licences as disclosed in Sections 6.10 and 6.11 of this Prospectus, we are not dependent on any other patents, licences, industrial, commercial or financial contracts or arrangements that could materially affect our business or profitability.

6.13 Interruptions in business for the past 12 months

We have not experienced any business interruption in the form of trade disputes or major operational breakdown occurring within and/ or outside our Group that may have a significant effect on our operations during the 12 months preceding the date of this Prospectus.

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6. BUSINESS OVERVIEW (CONT'D)**6.14 Major customers**

Our customers which comprises project owners and who individually contributed 10.0% or more of our revenue for each of the past three (3) financial years up to the FYE 31 December 2016 are set out below:-

Customers	Services provided	Country	Years of relationship as at the LPD	Revenue					
				2014		2015		2016	
				RM'000	%	RM'000	%	RM'000	%
S P Setia group	Earthworks and civil engineering	Malaysia	24 years	62,955	31.5	42,352	16.0	32,012	13.6
Eco World group	Earthworks and civil engineering	Malaysia	5 years	47,971	24.0	79,155	29.9	67,620	28.8
Tropicana group	Earthworks and civil engineering	Malaysia	4 years	2,203	1.1	70,306	26.6	40,472	17.2

We are engaged by the above customers for the delivery of earthworks and/ or civil engineering services projects in Malaysia, where specifically over the past three (3) financial years up to the FYE 31 December 2016, we were involved in the following projects:-

- (i) S P Setia group:-
Earthworks and civil engineering services for the Setia Eco Glades project in Cyberjaya, Bandar Setia Alam project in Shah Alam, Setia Ecohill project in Semenyih, Bukit Indah project in Johor Bahru and Eco Garden project in Pulai.
- (ii) Eco World group:-
Earthworks and civil engineering services for Eco Business Park 1 and Eco Business Park 2 projects in Iskandar Malaysia and Eco Majestic project in Semenyih.
- (iii) Tropicana group:-
Earthworks and civil engineering services for the Tropicana Aman projects in Tanjung Dua Belas and the provision of earthworks at Jeram Batu, Johor.

6. BUSINESS OVERVIEW (CONT'D)

Each of our Group's projects differs in terms of size and scope of work and the revenue recognised for each project fluctuates from year to year. As such, revenue derived from certain customers may account for 10.0% or more of our Group's total revenue in a particular financial year when there are several projects being implemented with those customers. However, as the projects are nearing completion, revenue contribution from these customers will also decrease correspondingly, which is a norm in the construction industry in Malaysia.

As set out in the table above, the aggregate revenue contributed by our major customers, namely S P Setia group and Eco World group accounted for approximately 55.5%, 45.9% and 42.4% of our total revenue for the past three (3) financial years under review, respectively. As such, our Group is dependent on the aforesaid major customers. Notwithstanding the foregoing, we have been aggressively looking for new contract opportunities by tendering for new contracts and we endeavour to expand our customer base. Our efforts have resulted in us establishing new working relationship with other local property developers such as MKH Berhad group of companies, Perdana Parkcity Sdn Bhd, Tropicana group, Malaysian Resources Corporation Berhad group of companies and Gamuda Berhad group of companies who are our newly secured customers up to the LPD.

Our other customer, namely Tropicana group has also contributed approximately 1.1%, 26.6% and 17.2% of our total revenue for the past three (3) financial years under review.

For the avoidance of doubt, the aforementioned revenue contribution from Tropicana group was derived from the following projects:-

Project details	Contract value RM'million	Commencement /Completion
Site clearance, earthworks and retaining walls for the industrial and commercial development at Jeram Batu, Pontian, Johor	23.35	November 2014/ September 2015
Infrastructure works for the construction of a temporary sales gallery building for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	2.03	April 2015/ June 2015
Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	136.52	April 2015/ September 2017

As at 31 December 2016, the Group has completed the abovementioned projects, save for the provision of earthworks for the Tropicana Aman project at Tanjung Dua Belas which has a contract sum of RM136.52 million. The Group has recognised RM87.22 million of revenue from the aforesaid project in the FYE 31 December 2015 and the FYE 31 December 2016, whilst the remaining portion of the revenue amounting to RM49.3 million will be recognised in the financial year ending 31 December 2017.

6. BUSINESS OVERVIEW (CONT'D)

Despite the significant revenue contribution by Tropicana Group in the FYE 31 December 2015 and the FYE 31 December 2016, the Group does not deem the aforesaid property developer as its major customer in view that the Group has not secured any projects from Tropicana group in the past and throughout the financial years under review and up to the LPD, save for the abovementioned projects including additional landscaping works to the Tropicana Aman project, of which two (2) of the projects have been completed. For the avoidance of doubt, the Group had secured additional landscaping works to the Tropicana Aman project from Tropicana group with a contract value of approximately RM15.23 million which commenced on April 2017 and is expected to be completed by January 2018. Pursuant to the completion of the Tropicana Aman projects in Tanjung Dua Belas in September 2017 and January 2018 respectively, the revenue contribution from Tropicana group is expected to decline accordingly.

Please refer to Section 4.1.3 of the Prospectus on the risk factor pertaining to reliance on the aforementioned major customers.

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6. BUSINESS OVERVIEW (CONT'D)**6.15 Major suppliers**

Our suppliers who individually contributed 10.0% or more of our purchases for each of the past three (3) financial years up to the FYE 31 December 2016 are set out below:-

Supplier	Products/ services	Country	Years of relationship as at the LPD	Purchases	
				FYE 31 December 2015	FYE 31 December 2016
				RM'000	RM'000
				%	%
KSJ Construction Sdn Bhd	Subcontractor	Malaysia	5 years	12,180	2,381
				10.8	1.5

Our Group is not dependent on any of our major suppliers for the past three (3) financial years up to FYE 31 December 2016. KSJ Construction Sdn Bhd contributed more than ten (10) percent of our total purchases only in the FYE 31 December 2014 as they were our major subcontractor for the construction and completion of earthworks for the Hillpark Shah Alam project at Bandar Puncak Alam, Kuala Selangor, Selangor which commenced on November 2013 and completed on June 2015.

Generally, our Group does not enter into long term contracts with any of our suppliers, which is the norm in the construction industry in Malaysia. Our Group strives to maintain long term relationships with a large pool of suppliers to ensure that we are not dependent on any single supplier or subcontractor. Our Group has established long term business relationship with a number of these companies, and believes these relationships are beneficial to our purchasing and cost efficiency.

6. BUSINESS OVERVIEW (CONT'D)

6.16 Information on land and buildings

6.16.1 Material properties owned by our group

A summary of the material properties owned by our Group are set out below:-

Registered owner/ Beneficial owner	Address / Title identification	Tenure/ Remaining lease tenure	Expiry of lease/ Will	Description/ Existing use	Date of issuance of CF/CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Advancecon	Address: No. 16, 16-1, 16-2, 16-3 Jalan Pekaka 8/3 Seksyen 8 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Leasehold for 99 years/ Will expire on 17.12.2106/ approximately 89 years	for	Description: Whole ground floor to 2 nd floor of a three (3)-storey shop office	Date of CCC: 06.09.2001	16 years	Land area: 2,594 Built up area: 7,782	1,411,485	Charged to UOB Bank
Advancecon Infra	Title Identification: H.S.(D) 242484, PT 10063, Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan	Freehold		Existing use: Occupied by Advancecon Group as head office for business operations	Date of CCC: 10.12.2007	10 years	Land area: Not applicable Built-up: 2,208	1,154,753	Charged to HSBC Bank
	Address: 9-B-2, Binjai Residency No. 1, Lorong Binjai, 50450 Kuala Lumpur			Description: One (1) of the condominium units located on the 9 th floor and one (1) car park lot located on the 2 nd floor of a 31-storey building					
	Title Identification: Geran 29539/M1/10/18, Lot 206 Section 63, Bandar Kuala Lumpur, State of Wilayah Persekutuan			Existing use: Vacant					

6. BUSINESS OVERVIEW (CONT'D)

Registered owner/ Beneficial owner	Address / Title identification	Tenure/ Expiry of Remaining lease/ lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Datuk Bandar Kuala Lumpur / Advancecon Properties	Address: BO1-A-08, Level 8 Boutique Office, KL Eco City Title Identification: PN 52716, Lot 20007 Section 95A and Geran 79381, Lot 20006 Section 95A (formerly known as HS(D) 120054, Lot PT Seksyen 95A and HS(D) 120053, Lot PT 29 Seksyen 95A Town of Kuala Lumpur, District of Kuala Lumpur)	Leasehold for 99 years/ Will expire on 05.12.2113/ approximately 96 years	Description: Whole of 8 th floor of a 20-storey building office tower block Existing use: Vacant	Date of CCC: 03.04.2017	Less than one (1) year	Land area: Not applicable Built-up area 4,381	5,110,726	Charge to Public Bank
Advancecon Properties	Address: Lot 8, Jalan Sultan Alauddin 5, Kawasan Perindustrian Fasa 4 Bandar Sultan Sulaiman Pelabuhan Kelang, 42000 Selangor Darul Ehsan Title Identification: H.S.(M) 42054, PT 65651, Mukim Kapar, Selat Klang Utara, District of Klang, State of Selangor Darul Ehsan	Leasehold for 99 years/ Will expire on 07.12.2110/ approximately 93 years	A parcel of industrial land Existing use: Proposed to construct an in-house workshop to carry out repair and maintenance services of machinery	Not applicable ^{*1}	Not applicable	Land area: 167,982 Built up area: Not applicable	5,528,833	Charged to Al Rajhi Banking & Investment Corporation (Malaysia) Berhad

Note:-

*1 As at the LPD, there is no CF issued on the land as it is currently a vacant land

6. BUSINESS OVERVIEW (CONT'D)**6.16.2 Material properties leased or tenanted by our Group**

As at the LPD, we leased or tenanted the following properties:-

Tenant	Landlord	Address	Tenure/ Date of expiry of lease	Description and existing use	Approximate land area/ Built up area ft ²	Yearly rental RM
Advancecon	Dato' Phum	No. 18, 18-1 & 18-2, Jalan Pekaka 8/3, Seksyen 8, Kota Damansara 47810 Petaling Jaya, Selangor Darul Ehsan	Three (3) years from 01.08.2016 till 31.07.2019 (with an option to renew for a further three (3) years)	Description: Whole of ground floor to 2 nd floor of a three (3)-storey shop office Existing Use: Occupied by Advancecon Group as head office for business operation	Land area: 1,798 Built-up area 5,394	66,000
Advancecon Machinery	Chow Chan Hoe, Low Say Sim, Yap Shuh Chuu and Yap Shuh Jen	22, Jalan Semtec 4, Semenyih Technology Park, 43500 Semenyih, Selangor Darul Ehsan	Two (2) years from 16.07.2016 till 15.07.2018 (with an option to renew for a further one (1) year)	Description: Whole of ground floor to 1 st floor of a two (2)-storey terrace factory Existing Use: Occupied by Advancecon as workshop for repair and maintenance services of machinery	Land area: 1,073 Built-up area 5,439	84,000

There are no major restrictions, special conditions or major encumbrances in the abovementioned tenancy agreement. The above properties owned and rented by our Group have been issued with the relevant CF as at the date of this Prospectus.

As at the date of this Prospectus, our Group is not in breach of any law, rules and building regulations in relation to the use of the properties above. Our Directors wish to highlight that, with respect to the land and buildings owned and rented by our Group as stated above, there are no environmental issues that may affect our Group's operations and utilisation of the above properties.

6. BUSINESS OVERVIEW (CONT'D)**6.16.3 Investment properties**

A summary of our Group's investment properties as at the LPD are set out below:-

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Paramount Property (Glenmarie) Sdn Bhd /Advancecon Properties	Address: B-10-12, Tower B Utropolis Suites, Jalan Kontraktor U1/14, Seksyen U1 40150, Shah Alam Selangor Darul Ehsan		Freehold	One (1) of the service apartment units located on the 10 th floor and two (2) car park lots located on the 1 st floor of a 14-storey service apartment building	Date of CCC: 14.12.2015	One (1) year	Land area: Not applicable Built up area: 1,066	618,701	Charged to Hong Leong Bank
	Title Identification: Geran 312887 Lot 91903 (formerly known as H.S. (D) 280267 PT 35292), Mukim Damansara, District of Petaling, State of Selangor Darul Ehsan			Existing use: Vacant					

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Setia Ecohill Sdn Bhd / Advancecon Properties	Address: No. 2, 2A and 18, Jalan Ecohill 1/1K, and No. 15, Jalan Ecohill 1/1L Setia Ecohill 43500, Semenyih Selangor Darul Ehsan		Freehold	Four (4) units of double storey terrace house (i) Existing use: No. 2 and 2A are vacant (ii) No. 15 has been rented out to (1) tenant ^{*1} (iii) No. 18 has been rented out to (1) tenant ^{*2}	Date of CCC: 26.11.2015	One (1) year	Land area: 10,238 Built up area: 8,070	2,565,996	Charged to Alliance Islamic Bank

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Eco Sky Development Sdn Bhd / Advancecon Properties	Address: B-21-11 (B2), Level 21 and B-30-12 (A1), Level 30 Eco Sky		Freehold	Two (2) of the condominium units located on the 21 st floor and 30 th floor and four (4) cark park lots located on the 1 st floor and 3 rd floor of a 39-storey service apartment building	Not applicable ³	Not applicable	Land area: Not applicable Built up area: 2,336	419,710	Charged to Alliance Islamic Bank
Cyberview Sdn Bhd / Advancecon Properties	Address: Suite E-2-3A, Blok E CBD Perdana 3 Jalan Perdana, Cyber 12 63000 Cyberjaya, Selangor Darul Ehsan		Freehold	Existing use: Under construction One (1) unit of office suite	Date of CCC: 21.04.2015	Two (2) years	Land area: Not applicable Built up area: 1,701	643,554	-

Title Identification:
Geran 267026, Lot 47591, Mukim Dengkil, District of Sepang, State of Selangor Darul Ehsan

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Riverside Hills Sdn Bhd /Advancecon Properties	Address: Lot 3020 and 3021, Phase 3A Precinct 3- Gentlebre Eco Majestic		Freehold	Two (2) parcels of freehold residential land	Not applicable*6	Not applicable	Land area: 14,499	1,926,680	Charged to Public Bank
	Title Identification: Geran No. 47935 Lot 1252, Geran No. 47936 Lot 35 and Geran No. 313661 Lot 42195, Mukim Beranang District of Ulu Langat, State of Selangor Darul Ehsan			Existing use: Vacant					
Cyberview Sdn Bhd/ Advancecon Properties	Address: Land Parcel No. 68 Ceria Residen		Freehold	One (1) unit of double storey terrace house	21.12.2016	One (1) year	Land area: 3,294	1,004,100	Charged to Public Bank
	Title Identification: Geran 332127 Lot 115100 (formerly known as H.S.(D) 36148 PT 50489), Mukim of Dengkil, District of Sepang, State of Selangor Darul Ehsan			Existing use: Vacant			Built up area: 2,302		

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Riverside Hills Sdn Bhd /Advancecon Properties	Address: Lot 2373, Phase 2F01 Precinct 2 – Tenderfield Eco Majestic		Freehold	One (1) unit of double storey semi-detached house	Not applicable ³	Not applicable	Land area: 3,197	682,560	Charged to Public Bank
	Title Identification: Geran 47935 Lot 1252, Geran 47936 Lot 35 and Geran 313661 Lot 42195 Mukim Beranang, District of Ulu Langat, State of Selangor Darul Ehsan			Existing use: Under construction			Built up area: 3,501		
Riverside Hills Sdn Bhd /Advancecon Properties	Address: Lot 9014, Phase 9A01 Precinct 9 – The Ivoris Eco Majestic		Freehold	Whole of ground floor to 1 st floor of a two-(2) storey shop office	Not applicable ³	Not applicable	Land area: 1,916	898,165	Charged to Public Bank
	Title Identification: Geran 47935 Lot 1252, Geran 47936 Lot 35 and Geran 313661 Lot 42195 Mukim Beranang, District of Ulu Langat, State of Selangor Darul Ehsan			Existing use: Under construction			Built up area: 3,833		

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Eco Sanctuary Sdn Bhd /Advancecon Properties	Address: Land Parcel No. S1001 and S1002 Phase 1A03 – Rio Villa Eco Sanctuary		Leasehold for 99 years/ Will expire on 09.11.2110/ approximately 94 years	Two (2) units of double storey semi-detached house Existing use: Under construction	Not applicable ³	Not applicable	Land area: 8,805 Built up area: 7,099	2,326,500	Charged to Public Bank
Galeri Tropika Sdn Bhd / Advancecon Properties	Address: E1-10-06, Tower One and E5-3-01, Tower Five Jalan Ion Delemen 1 Genting Highlands 69000 Genting, Pahang		Freehold	Two (2) of the service apartment units located on the 3 rd floor of a 8-storey service apartment building and 10 th floor of a 25-storey service apartment building Existing use: Vacant	Date of CCC: 22.04.2016	One (1) year	Land area: Not applicable Built up area: 2,440	1,976,966	-
	Title Identification: HS(D) 39255 PT 41293, HS(D) 39256 PT 41294, HS(D) 39257 PT 41295 Mukim Tanjung Duabelas, District of Kuala Langat, State of Selangor Darul Ehsan								
	Title Identification: HS(D) 10562 PT 11385, Mukim Bentong, District of Bentong, State of Pahang								

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Tropicana Golf & Country Resort Berhad / Advancecon Properties	Address: A-27-01, Block A Tropicana Condominiums No. 3 Persiaran Tropicana Tropicana Golf & Country Resort PJU 3 47410 Petaling Jaya Selangor Darul Ehsan	Grande	Leasehold for 99 years/ Will expire on 04.04.2109/ approximately 93 years	One (1) of the condominium units located on the 27 th floor and two (2) car park lots located on the 5 th floor of a 39-storey service apartment building	Date of CCC: 06.11.2013	Four (4) years	Land area: Not applicable Built up area: 2,079	1,596,243	Charged to UOB Bank
Advancecon Properties	Title Identification: PN 92830, Lot 89552, Bandar Damansara, District of Petaling, State of Selangor Darul Ehsan		Freehold	Existing use: Rented to one (1) tenant ^s	Date of CCC: 27.07.2011	Six (6) years	Land area: 7,158 Built up area: 4,790	3,832,208	Charged to Alliance Bank
	Address: No. 1, Jalan Pengaturcara U1/51E, Seksyen U1 40150 Shah Alam Petaling Jaya Selangor Darul Ehsan			One (1) unit of three-(3) storey bungalow Existing use: Vacant					
	Title Identification: Geran 316473, Lot 64445, Town of Glenmarie, District of Petaling, State of Selangor Darul Ehsan								

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Advancecon Properties	Address: No. 18, Jalan Pengaturcara U1/51H, Seksyen U1 40150 Shah Alam Petaling Jaya Selangor Darul Ehsan		Freehold	One (1) unit of three-(3) storey semi-detached house Existing use: Vacant	Date of CCC: 16.04.2013	Four (4) years	Land area: 8,253 Built up area: 3,940	3,198,554	Charged to Alliance Bank
Advancecon Properties	Address: No. 8, Jalan PJU 3/16D Tropicana Indah 47410 Petaling Jaya Selangor Darul Ehsan		Leasehold for 99 years/ Will expire on 27.05.2101/ approximately 85 years	A parcel of leasehold residential land Existing use: Vacant	Not applicable ⁵	Not applicable	Land area: 21,269 Built up area: Not applicable	6,457,958	Charged to UOB Bank
	Title Identification: H.S.(D) 173541 P.T. No 32213, Pekan Baru Sungai Buloh, District of Petaling, State of Selangor Darul Ehsan								

6. BUSINESS OVERVIEW (CONT'D)

Registered owner / Beneficial Owner	Address/ Identification	Title	Tenure/ Expiry of lease/ Remaining lease tenure	Description/ Existing use	Date of issuance of CF/ CCC	Approximate age of building	Approximate land area/ Built up area ft ²	NBV as at 31.12.2016 RM	Major encumbrances
Advancecon Properties	Address: No. 55, Jalan Ecohill 3/1B Setia Ecohill 43500 Semenyih Selangor Darul Ehsan		Freehold	One (1) unit of double storey lot zero bungalow	Date of CCC: 01.12.2015	One (1) year	Land area: 6,712	1,927,195	Charged to Public Bank
	Title Identification: HS(D) 164582 PT 40672 Mukim Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan			Existing use: Vacant			Built up area: 3,304		
Total								<u>30,075,090</u>	

Notes:-

- ¹ The investment property has been rented out for residential purposes for a monthly rental of RM1,100 for a period of one (1) year from 1 May 2017 to 30 April 2018
- ² The investment property has been rented out for residential purposes for a monthly rental of RM1,100 for a period of one (1) year from 5 January 2017 to 4 January 2018
- ³ As at the LPD, there is no CF issued on these investment properties as they are currently under construction
- ⁴ The investment property has been rented out for office purposes for a monthly rental of RM2,650 for a period of three (3) years from 18 March 2016 to 17 March 2019
- ⁵ The investment property has been rented out for residential purposes for a monthly rental of RM6,000 for a period of one (1) year from 24 December 2016 to 23 December 2017
- ⁶ As at the LPD, there is no CF issued on these lands as these are currently vacant lands

6. BUSINESS OVERVIEW (CONT'D)**6.16.4 Material tangible fixed assets other than property**

A summary of the tangible fixed assets owned by our Group other than properties and plants, segregated in the order of the assets' age band, are set out below:-

Description	No. of units	Useful life No. of years	Remaining useful life as at 31 December 2016 Average no. of years	NBV as at 31 December 2016 RM'000
Age of assets: 1 – 3 years				
Motor vehicles	84	8	6.1	6,688
<u>Earthworks</u>				
Excavator	43	8	6.0	24,550
Bulldozer	16	8	5.4	7,670
Compactor	17	8	6.4	3,203
Dump Truck	78	8	5.7	21,783
Tipper Truck	3	8	5.0	902
Long Arm	1	8	6.0	35
<u>Earthworks Supporting Machinery</u>				
Water Truck	1	8	5.0	37
Diesel Truck	1	8	6.0	60
Motor Grader	5	8	6.0	1,786
Wood Crusher Plant	1	8	6.0	553
<u>Civil Engineering Services</u>				
Backhoe	1	8	5.0	83

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6. BUSINESS OVERVIEW (CONT'D)

Description	No. of units	Useful life No. of years	Remaining useful life as at 31 December 2016 Average no. of years	NBV as at 31 December 2016 RM'000
Shovel	2	8	5.5	355
Hydro Crusher	1	8	6.0	21
Forklift	1	8	7.0	70
<u>Support Services</u>				
Crusher Plant	1	8	6.0	71
Total (excluding motor vehicles)	172			61,179
Total (including motor vehicles)	256			67,867
Age of assets: 4 – 7 years**1				
Motor vehicles	69	8	3.1	2,589
<u>Earthworks</u>				
Excavator	26	8	3.3	9,289
Bulldozer	5	8	3.6	1,059
Compactor	8	8	2.5	812
Dump Truck	26	8	3.5	4,283
Tipper Truck	16	8	2.6	1,912
Amphibious Undercarriage	4	8	2.8	359
<u>Earthworks Supporting Machinery</u>				
Water Truck	5	8	2.0	24

6. BUSINESS OVERVIEW (CONT'D)

Description	No. of units	Useful life No. of years	Remaining useful life as at 31 December 2016 Average no. of years	NBV as at 31 December 2016 RM'000
Diesel Truck	6	8	2.0	23
Crawler Drill	8	8	2.3	1,186
Compressor	4	8	2.3	43
Backpusher	3	8	2.0	-
Motor Grader	2	8	4.0	389
<u>Civil Engineering Services</u>				
Backhoe	1	8	2.0	4
Hydraulic Breaker	4	8	3.0	74
Forklift	2	8	1.5	14
Others*3	3	8	3.0	41
<u>Support Services</u>				
Trailer	4	8	1.5	186
Lorry	1	8	1.0	11
Total (excluding motor vehicles)	128			19,709
Total (including motor vehicles)	197			22,298
Age of assets: 8 years and above				
Motor vehicles	8	8	*2	*4
<u>Earthworks</u>				
Dump Truck	1	8	*2	*4
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6. BUSINESS OVERVIEW (CONT'D)

Description	No. of units	Useful life No. of years	Remaining useful life as at 31 December 2016 Average no. of years	NBV as at 31 December 2016 RM'000
<u>Earthworks Supporting Machinery</u>				
Compressor	3	8	*2	*4
Water Truck	2	8	*2	*4
Diesel Truck	1	8	*2	*4
<u>Civil Engineering Services</u>				
Others*3	15	8	*2	*4
<u>Support Services</u>				
Crusher Plant	1	8	*2	*4
Total (excluding motor vehicles)	23			*4
Total (including motor vehicles)	31			*4
Grand total (excluding motor vehicles)	323			80,888
Grand total (including motor vehicles)	484			90,165

Notes:-

- *1 Amongst the assets used beyond five (5) years, our Group has identified fourteen (14) units of excavators, ten (10) units of tipper trucks and two (2) units of motor graders with age of machinery exceeding five (5) years that necessitate replacement after taking into consideration that our Group had been incurring relatively high monthly maintenance and repairing costs to maintain these machinery. We shall part-finance for investment in new machinery to replace the aforesaid assets used beyond its useful life by utilising the IPO proceeds earmarked for such purpose, as further elaborated in Section 3.12 of this Prospectus
- *2 No remaining useful life as per our depreciation policy as these are assets used beyond its useful life.
- *3 Comprises equipment for construction services such as generator sets, electronic total station, cone crusher, pan feeder, welding machine, high pressure sand and pump, hydro seeding machine, grinder, demolition hammer and rotary hammer, etc
- *4 Negligible

6. BUSINESS OVERVIEW (CONT'D)

6.16.5 Material plans to construct, expand or improve facilities

Save for the utilisation of the gross proceeds arising from the Public Issue which we earmark for the working capital and purchase of construction machinery and equipment to cater for our expansion of construction services as well as the construction of a new workshop to provide servicing and maintenance of our machinery as set out in Section 3.12 of this Prospectus, we do not have any other immediate material plans to construct, expand or improve our facilities as at the date of this Prospectus.

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6. BUSINESS OVERVIEW (CONT'D)

6.17 Future plans and strategies

Our Group's vision is to become the leading earthworks and civil engineering services contractor in Malaysia, specialising in 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

Our Group's primary thrust moving forward is to continue expanding within the earthworks and civil engineering services market in Malaysia. Specifically, we will continue to undertake earthworks focusing on both residential and commercial property development projects and infrastructure projects (for road and highway). We will also continue to concentrate on civil engineering services especially on the construction of road and highway. In line with the increase in the scale of our projects in recent years, we intend to continue to focus on earthworks and civil engineering projects of larger scale whereby we will focus on bidding projects with contract value exceeding RM50 million. We intend to step up our efforts to target larger-scale construction projects which require the combination of earthworks and civil engineering services as we believe such projects will generate higher revenue to our Group and further raise our business profile in the industry as an earthworks specialist.

In the Budget 2017, the Government announced that approximately RM25.9 billion will be allocated for the economic sector under the development expenditure. Infrastructure is a catalyst for overall economic and social development and the Government will continue to improve logistics infrastructure, including building and improving rail transport network and highways. Our Board believes that the demand for public sector projects, in particular projects related to the construction of public infrastructures, will continue to be strong. Therefore, equipped with our SPKK licence, we intend to focus our resources on such public sector projects. As at the LPD, our Group has submitted tenders for some of the sub-contracting jobs involving Government projects such as the sub-contracts for the Pan Borneo Highway project, DASH project and SUKE project. For investors' information, our Group had secured a subcontract for the development and upgrading of the proposed Pan Borneo highway in the state of Sarawak (from Sg Awik Bridge to Bintangor Junction) which had a contract value of RM105.23 million and awarded to our Group on December 2016. Premised on the above and at this juncture, we plan to bid for more Government projects in the western region of Peninsular Malaysia, particularly in the Klang Valley and Johor. For the avoidance of doubt, our expansion plan will be undertaken on an on-going basis and it will be funded via the combination of both internally generated funds and external borrowings.

ii. Upgrading internal capabilities

In line with our future plans to bid for more large-scale projects, we intend to invest in more new machinery to cater for such expansion as well as to replace certain fleet of our existing machinery. The machinery that we are identifying for future investment are mainly excavators (with capacity weight of 48 tonnes) and tipper trucks to undertake bulk earthworks and road construction works. Such acquisitions are intended to further enhance the capacity and capability of our Group's fleet of machinery to support our business expansion to compete effectively against our competitors operating in the local market.

6. BUSINESS OVERVIEW (CONT'D)

This is in tandem with our allocation of approximately RM15.10 million of the proceeds from our Public Issue for the purchase of new construction machinery and equipment within 12 months upon Listing.

In line with the expansion of our fleet of machinery, we intend to utilise our IPO proceeds amounting to approximately RM14.60 million to construct an organised and well-equipped workshop, used to maintain, modify and repair our fleet of machinery within 24 months upon Listing. The workshop would house a dedicated team of experienced technical personnel responsible for supporting our large fleet of machinery. They can be deployed as part of our mobile response team to perform quick on-site repairing works if necessary. The workshop enables our Group to optimise the utilisation of our fleet of machinery by reducing machinery downtime, ensuring maximum machinery effectiveness and prolonging the useful life of each machine.

Furthermore, the workshop would be equipped with hoisting equipment to facilitate the repair of our machinery. The hoisting equipment is used to lift the machinery by using a hoist and will allow the lifting our heavier machinery such as excavators and bulldozers to facilitate the undercarriage repair and maintenance process.

There would also be a segmented area for storage of spare parts for the purpose of repair and maintenance. As our Group is equipped with large numbers of machinery, there is a consistent demand for spare parts for the repair and maintenance of our machinery. Smaller spare parts such as air filter, oil filter and hydraulic pumps will be stored in containers, whilst larger spare parts such as tyres, excavator buckets and engines will have another designated storage area within the workshop. By having an internal storage for our spare parts, the waiting time for repair and maintenance of our machinery would be minimised as we can avoid delayed deliveries of spare parts from third party providers in the event of unexpected increases in internal demand for such items.

iii. **Implementing an ISO 14001-compliant environmental management system**

In our continuous effort towards process improvement, we plan to implement an environmental management system that is in compliance with the ISO 14001:2015 standard through internally generated funds. We have conducted internal meetings to discuss the requirements to obtain the ISO 14001:2015 accreditation and we are gradually adapting our environment management practices such as waste management at the project site to be ISO 14001:2015 compliant and are targeting to obtain the certification by 2018.

The methodology adopted in ISO 14001:2015 places emphasis in identifying Environment Aspect and Impact analysis through a systematic approach. As such, through a planned and documented process, it ensures an efficient waste management in order to achieve the works and cost efficiency at project site.

By implementing a framework that is in compliance with the ISO 14001:2015 standard, we stand to benefit from the potential reduction in operational cost and the potential increase in workplace productivity through efficient resource and waste management. Reduction in wastages at project site will help to provide a cleaner and safer working environment, which in turn can improve workplace efficiency and result in cost savings.

6. BUSINESS OVERVIEW (CONT'D)

6.18 Prospects of our Group

We believe the prospects of our Group are favourable as our business is led by an experienced management team. In view that our Group has been serving in the earthworks and civil engineering services market for approximately 27 years, we have a proven track record of our service quality and have accrued an extensive experience over the years. Furthermore, our sizeable fleet of machinery and equipment and maintenance team can assist us to undertake large-scale projects or more small- to medium-scale projects leading to more potential revenue stream. Our commitment to quality assurance and our quality consistency over the years has helped us establish a strong reputation as a reliable and trustworthy partner in the earthworks and civil engineering services market. Further details on our competitive strengths are set out in Section 6.3 of this Prospectus.

Our Group's vision is to become the leading earthworks and civil engineering services contractor in Malaysia. Moving forward, our Group's future plans and business strategies will centre on the continuous expansion within the earthworks and civil engineering services market, upgrading internal capabilities and the implementation of an ISO 14001-compliant Environmental Management System. We also intend to increase our penetration rate in the Malaysian earthworks and civil engineering services market by actively bidding for Government projects.

According to the Independent Market Researcher's report, the earthworks and civil engineering services market in Malaysia was valued at an estimated RM16.14 billion in 2016 and is expected to grow at a CAGR of 15.3% for the years 2017 to 2021. Further details on our prospects and outlook of the industry are set out in Section 7 of this Prospectus.

As our Group is primarily project-based, our future profitability is dependent on the number of projects and value of the projects secured. Over the past three (3) years, we have been able to secure projects from our customers who are predominantly in the property development sector. As at the LPD, our order book in our earthworks and civil engineering services segment amounts to RM572.48 million which is expected to sustain the Group's earnings for approximately 24 months from the LPD. Further details on the state of our order book are set out in Section 11.5 of this Prospectus.

Given that the earthworks and civil engineering services business is capital intensive, we need to constantly upgrade our machinery with newer, more powerful and more efficient machines to remain competitive. Our Group has earmarked approximately RM15.10 million, representing 26.6% of the proceeds from the Public Issue, for the purchase of construction machinery and equipment to further expand our earthworks and civil engineering services market. We would be able to operate in a more cost efficient manner with newer and higher technology machinery and equipment due to lower likelihood of machinery and equipment breakdown. As such, we would be able to further enhance our competitiveness in our tender. Please refer to Section 3.12 of this Prospectus for further details on utilisation of proceeds from the Public Issue.

We will continue to leverage on our core competencies, competitive edge and our established track record whilst pursuing growth opportunities within the earthworks and civil engineering services industry.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

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The Board of Directors,
Advancecon Holdings Berhad
No. 16 & 18, Jalan Pekaka 8/3,
Seksyen 8, Kota Damansara,
47810 Petaling Jaya,
Selangor, Malaysia

26 MAY 2017

Dear Sirs/Madams,

Executive Summary of the Strategic Analysis of the Construction Industry in Malaysia with an Overview of the Earthworks and Civil Engineering Market

This Executive Summary of the 'Strategic Analysis of the Construction Industry in Malaysia with an Overview of the Earthworks and Civil Engineering Market' is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the Prospectus of Advancecon Holdings Berhad ("Advancecon Holdings") in relation to its listing on the Main Market of Bursa Malaysia Securities Berhad.

1.0 Malaysia Economic Overview

The Malaysian economy registered a 4.2 percent growth in its real gross domestic product ("GDP") in 2016 as compared to a 5.0 percent growth registered in 2015. The slower pace in the growth of the Malaysian economy can be attributed to an overall moderation in private sector consumption and investment growth in an environment of prolonged uncertainties particularly in the international economic, financial and political landscapes.

The Malaysian economy is expected to grow by between 4.3 percent to 4.8 percent in 2017. The services sector is expected to remain the largest contributor to the economy by accounting for more than half of Malaysia's real GDP in 2017.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



2.0 Introduction to the Construction Industry

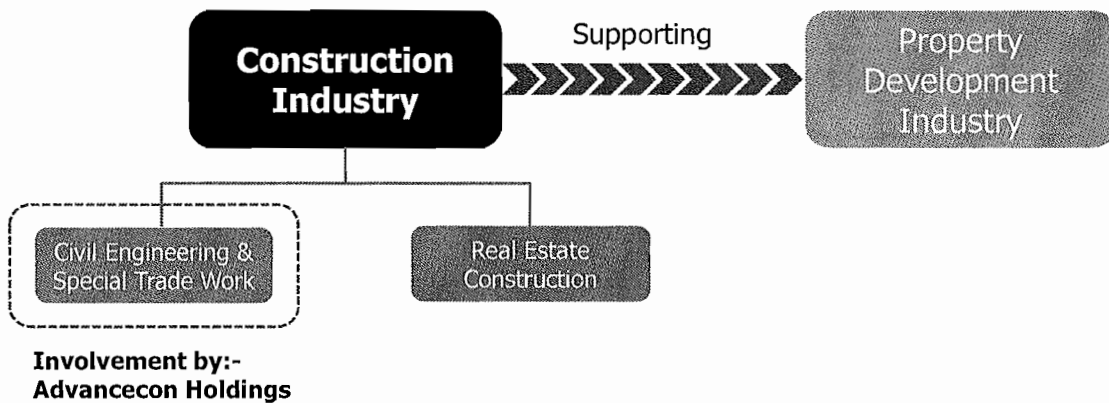
Construction refers to the conversion of raw materials through the use of labour into various forms of buildings and infrastructures. Construction is not limited to buildings alone but also includes infrastructures such as bridges, dams, roads and canals.

A typical construction job is usually managed by a project manager and supervised by a construction manager, design engineer, construction engineer and/or project architect. To ensure the success of the project, the design and execution of the infrastructure must be effectively planned and should take into consideration various issues such as budget, timeline, construction site safety, the environmental impact of the job, the availability of building materials, logistics and bidding.

3.0 Market Segmentation

The construction industry in Malaysia can generally be segmented into two distinct segments namely, real estate construction and civil engineering & special trade work as illustrated Figure 1.

Figure 1: Construction Industry Segmentation



Source: Protégé Associates

Real Estate Construction

Real estate construction refers to the construction of structures and buildings for residential as well as non-residential purposes. Other activities within the real estate construction category are the assembly and erection of prefabricated constructions on the site such as stairs, windows, walls, wall panels and floor panels as well as building construction activities not elsewhere classified such as restoring of historical sites and buildings.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



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Civil Engineering and Special Trade Work

Civil engineering mainly refers to the construction of infrastructures such as roads and highways, utility structures and buildings, and public infrastructures like bridges, stadiums, ports, dams and railways. Meanwhile, special trade works involve the construction of parts of buildings and civil engineering works without responsibility for the entire project. Special trade works consist of activities such as earthworks, metal works, electrical works, refrigeration and air-conditioning works, painting works, plumbing, sewerage and sanitary works, glass works, carpentry as well as tiling and flooring works. Advancecon Holdings is participating in the civil engineering and special trade work segment of the construction industry.

3.1 Introduction to Earthworks and Civil Engineering

The earthworks and civil engineering market belongs to the broader civil engineering and special trade work segment of the construction industry in Malaysia. In a snapshot, earthworks relate to activities conducted to prepare land for development and construction while civil engineering involves engineering activities in the development of a structure.

Through its core subsidiary companies, Advancecon Holdings is principally involved in the Malaysian construction industry as an earthworks and civil engineering market player. Advancecon Holdings has over the years built up expertise and capabilities in earthworks and civil engineering in the Malaysian market.

3.1.1 Earthworks

Earthworks are 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. Earthwork construction generally involves various processes such as:

- Preliminary work;

This is the beginning stage where the topography of the project and the proposed erosion control plan is reviewed by the engineer and the contractor before the start of the construction to protect the project from the elements. It also needs to be ensured that the properties and facilities adjacent to the project are protected from environmental pollution that originates from the project.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

- Clearing and grubbing;

Clearing and grubbing refer to activities related to the removal of all trees, bushes, stumps and roots in all work areas. The work limits for clearing and grubbing should preferably be established so that the natural conditions outside the work areas are minimally or not affected unless otherwise designated on the plans.

- Excavation;

Excavation is a key activity in earthwork construction involving the digging and removal of earth materials. The type of excavation involved is dependent on the type of earth materials that will be excavated. Three notable types of excavation are the topsoil excavation, the rock excavation and unclassified excavation (involving any combination of earth material types). The earth materials may also be ripped or blasted.

- Embankment foundation work;

This work involves the creation of a base upon which the fill is constructed in accordance with the plans, standards, specifications and any special provision. The stripping of topsoil, removal of organic deposits and underwater backfill, compacting of ground surface and placement of a construction lift may be required in the preparation of the foundation. However, the construction procedures used depend on factors such as the firm or soft of the ground as well as the need for special treatment on foundation soils. Materials such as mine and municipal wastes, peats and organic soils as well as swelling and collapsible soils are considered not suitable for embankment foundations and need to be removed, replaced or specially treated. Excessive and unsuitable materials are required to be disposed of in the areas designated on the plans.

- Embankments;

The materials used for embankment construction are generally selected by the contractor and approved by the engineer. There are standard specifications for the soil types that are deemed acceptable for embankment construction that should be strictly adhered to for satisfactory embankments. There are also man-made materials that may be suitable for embankment construction.

- Compaction;

The most important aspect of proper embankment construction is the compaction of a soil layer. Compaction can help to increase bearing capacity and slope stability as well as to decrease settlement and permeability. A satisfactory platform upon which to place the

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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base courses and pavement can be provided by a uniform, densely compacted embankment. The compaction equipment used depends on the type of soils encountered as certain types of compactors work better with certain types of soils than others as well as the accessibility to the area involved. Full-sized compactors can be used for compaction in large areas while highly manoeuvrable or hand-operated mechanical compactors are used for compaction in confined areas. During the compaction operations, various inspections are conducted by the field inspector.

Examples of construction machinery that are typically used for earthworks include backhoes, bulldozers, dozer shovels, hydraulic excavators, landfill compactors, motor graders, skid steer loaders, soil compactors, track excavators, track loaders, vibrator asphalt compactors, vibrator soil compactors, wheeled dozers, wheeled excavators and wheeled loaders.

3.1.2 Civil Engineering

Civil engineering consists of general construction for civil engineering objects that include activities such as additions and alterations, new work, repair work as well as the erection of prefabricated structures on the site and also construction of a temporary nature. It can be divided into three distinct groups namely the construction of roads and railways, the construction of utility projects and the construction of other civil engineering projects (except buildings).

The construction of roads and railways includes:

- Construction of airfield or airport runways;
- Construction of bridges, including those for elevated highways;
- Construction of motorways, roads, streets and other vehicular and pedestrian ways;
- Construction of railways and subways;
- Construction of tunnels;
- Surface work on bridges, highways, roads, streets or tunnels (including works such as asphalt paving of roads, road painting and other making as well as installation of crash barriers and traffic signs); and
- Construction of roads and railways not elsewhere classified.

The construction of utility projects includes:

- Construction of irrigation systems (canals);

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

- Construction of power plants;
- Construction of sewer systems (including repair) and sewage disposal plants;
- Long-distance pipelines, communication and power lines;
- Reservoirs;
- Urban pipelines, urban communication and power lines as well as ancillary urban works;
- Water main and line construction; and
- Construction of utility projects not elsewhere classified.

The construction of other civil engineering projects (except buildings) includes:

- Construction of dams and dykes;
- Construction of refineries;
- Construction of waterways, harbour and river works, pleasure ports (marina) and locks;
- Dredging of waterways;
- Land subdivision with land improvement, including but is not limited to adding of roads and utility infrastructure;
- Outdoor sports facilities; and
- Construction of other engineering projects not elsewhere classified.

Examples of construction machinery that are typically used for civil engineering include paving equipment, asphalt track pavers, screeds, dump trucks, lorries, hydraulic crawler cranes and mobile cranes.

3.2 Linkage between the Construction Industry and the Property Development Industry

There is a strong linkage between the property development industry and the construction industry. The property development industry is a key end-user of the construction industry. The construction industry plays a vital role in supporting the property development industry through its construction services. As such, Protégé Associates has also provided a write-up on the overview of the property market in Malaysia for the purpose of this report in Section 3.3.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



3.3 Overview of the Property Market in Malaysia

In 2016, the Malaysian property market registered a total transaction volume of 320,425, reflecting a decline in total transaction volume as compared to 364,105 in 2015. Similarly, the value of transactions also declined, registering a 3.0 percent drop from RM149.9 billion in 2015 to RM145.4 billion in 2016. In 2016, residential property continued to dominate market activity in terms of volume, accounting for 63.4 percent of total transactions, followed by agricultural (21.6 percent), commercial (7.4 percent), development land (5.9 percent) and industrial (1.8 percent). Figure 2 denotes the volume and value of property transaction by sub-sector in Malaysia for 2015 and 2016.

Figure 2: Volume and Value of Property Transaction by Sub-Sector in Malaysia, 2015 and 2016

Sub-sector	2015				2016			
	Volume	%	Value (RM million)	%	Volume	%	Value (RM million)	%
Residential	235,967	65.2	73,469.9	49.0	203,064	63.4	65,574.4	45.1
Commercial	31,776	8.8	26,399.5	17.6	23,745	7.4	35,942.6	24.7
Industrial	7,046	1.9	11,970.8	8.0	5,609	1.8	12,018.7	8.3
Agricultural	66,705	18.4	13,087.5	8.7	69,078	21.6	14,346.9	9.9
Development Land	20,534	5.7	24,915.8	16.6	18,918	5.9	17,491.4	12.0
Others	77	*	54.5	*	11	*	34.0	*
Total	362,105	100.0	149,898.0	100.0	320,425	100.0	145,408.1	100.0

Notes:

- 1) * Less than 0.1%
- 2) Figures may not add up due to round-off error

Source: National Property Information Centre ("NAPIC")

4.0 Market Dynamics Scorecard

The market dynamics scorecard provides a snapshot of the overall market characteristics based on selected key market indicators and its respective measurements and trends. The market dynamics for the construction industry is shown in Figure 3.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Figure 3: Market Dynamics Scorecard for the Construction Industry in Malaysia**

Market Dynamics Indicators	Measurement
2016 Market Size (Revenue) (RM billion)	50.09
2016 Market Growth Rate (%)	7.4
2021 Forecast Market Size (Revenue) (RM billion)	76.58
Forecast Period Market Compound Annual Growth Rate ("CAGR") (2017-2021) (base year of 2016) (%)	8.9

Sources: Department of Statistics Malaysia, Bank Negara Malaysia ("BNM") and Protégé Associates

5.0 Historical Performance and Growth Forecast

Protégé Associates has provided the historical performance and growth forecast of the construction industry in Malaysia based on the primary and secondary research as well as analytical works conducted.

The market size (revenue) of the Malaysian construction industry was estimated at RM50.09 billion in 2016, which was an increase of 7.4 percent over the previous year's revenue of RM46.63 billion. In addition, the forecast CAGR for the Malaysian construction industry from 2017 to 2021 is 8.9 percent. The historical market size (revenue) and growth forecast of the construction industry in Malaysia are as shown in Figure 4.

Figure 4: Historical Market Size (Revenue) and Growth Forecast for the Construction Industry in Malaysia, 2015-2021

Year	Market Size (Revenue) (RM billion)	Growth Rate(%)
2015	46.63	-
2016	50.09	7.4
2017	54.07	8.0
2018	58.67	8.5
2019	65.42	11.5
2020	70.91	8.4
2021	76.58	8.0

CAGR (2017-2021) (base year of 2016): 8.9 percent

Note: At constant price 2010

Sources: Department of Statistics Malaysia, BNM and Protégé Associates

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

BRAND | FINANCE | MARKET

Going forward, expansion in the local construction industry is expected to be driven by factors such as the government-led initiatives and spending on the implementation of various infrastructure projects and affordable housing schemes, a sustained economic growth boosting investment in properties and steady population growth. Much of the construction industry's growth prospects hinges upon the speed and effective implementation of the various projects identified under the Eleventh Malaysia Plan ("11MP") and Economic Transformation Programme ("ETP"), along with the continued execution of various public-private partnership projects. Some of the ongoing and expected future government-led mega infrastructure projects include the following:

- i. the Sarawak Pan-Borneo Highway;
- ii. the second line of the Klang Valley mass rapid transit namely the Sungai Buloh-Serdang-Putrajaya Line ("MRT2");
- iii. the Sungai Besi-Ulu Klang Elevated Expressway ("SUKE");
- iv. the Damansara-Shah Alam Elevated Expressway ("DASH");
- v. the third line of the light rail transit namely the Bandar Utama, Damansara-Johan Setia, Klang Line ("LRT3");
- vi. the East Coast Rail Line ("ECRL"); and
- vii. the Kuala Lumpur-Singapore High Speed Rail ("HSR").

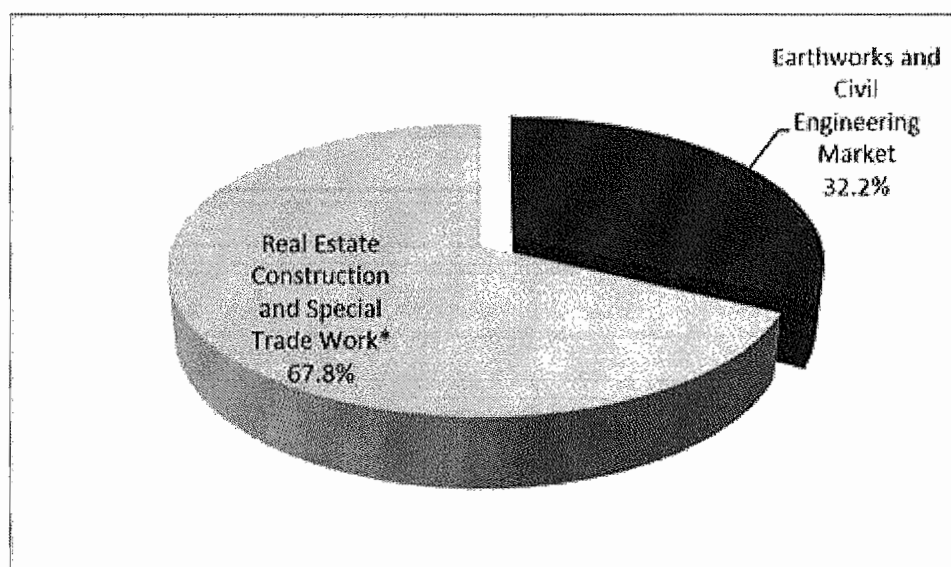
The pace of growth in the construction industry in Malaysia is expected to grow by 8.0 percent and 8.5 percent in 2017 and 2018 respectively. Growth is expected to rise to 11.5 percent in 2019, boosted by more expected construction activities from the HSR and ECRL projects. From 2020 to 2021, the local construction industry is projected to continue expanding albeit at a moderating pace during this period. This is in line with the expected completion of some major government-led construction projects such as the LRT3 and SUKE during this period as well as more construction projects such as the MRT2 and the Sarawak Pan-Borneo Highway being at the later stage of completion with majority of the required works expected to have been completed by then. The development of these large-scale infrastructure projects is also expected to spur property development activities within the vicinity of the infrastructures and bodes well for the growth of the construction industry in

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



Malaysia. The market size (revenue) of the industry is expected to reach RM76.58 billion in 2021.

Figure 5: Estimated Share of the Earthworks and Civil Engineering Market in the Construction Industry in Malaysia, 2016



*Note: *All special trade work excluding earthworks*

Source: Protégé Associates

In Malaysia, the local earthworks and civil engineering market is largely dependent on government related construction projects, and growth in the industry was spurred by the implementation of government related projects particularly from the 11MP and ETP. The earthworks and civil engineering market in Malaysia was estimated at a market size (revenue) of RM16.14 billion in 2016, which was an increase of 9.3 percent against the RM14.77 billion recorded in the previous year.

Figure 6: Estimated Market Size (Revenue) and Growth Forecast for the Earthworks and Civil Engineering Market in Malaysia, 2015-2021

Year	Market Size (Revenue) (RM billion)	Growth Rate (%)
2015	14.77	-
2016	16.14	9.3
2017	17.94	11.2
2018	20.56	14.6
2019	25.78	25.4

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

Year	Market Size (Revenue) (RM billion)	Growth Rate (%)
2020	29.10	12.9
2021	32.82	12.8

CAGR (2017-2021) (base year of 2016): 15.3 percent

Notes:

- 1) All figures are rounded;*
- 2) At constant price 2010;*
- 3) Numbers may not necessarily add up due to round-off error.*

Source: Protégé Associates

A longer term growth trend is expected to continue over the forecast period. As the earthworks and civil engineering market in Malaysia is largely dependent on the construction industry, its outlook is encouraging in light of favourable growth seen for the construction industry with the implementation of infrastructure related projects under the 11MP.

The market is likely to benefit from the implementation of large-scale infrastructure projects announced and planned for by the Malaysian government. These include:

- Construction of highways and expressways such as the SUKE, the West Coast Expressway, the DASH, the Pan-Borneo Highway and the Central Spine Road.
- Expansion of the MRT and LRT with the future construction of the MRT2 from Sungai Buloh to Serdang to Putrajaya and implementation of the LRT3 project linking Bandar Utama to Klang.

These large-scale infrastructure projects are expected to be a growth catalyst for the construction industry, and by extension, the earthworks and civil engineering market in Malaysia during the forecast period. The forecast CAGR for the earthworks and civil engineering market in Malaysia from 2017 to 2021 is 15.3 percent. The size of the market is projected to reach a value of RM32.82 billion in 2020.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

**5.2 Performance of the Earthworks Market in Malaysia**

As a major portion of Advancecon Holdings' revenue (as depicted in Figure 7) is derived from earthworks services, Protégé Associates has also provided the historical performance and growth forecast of the market size (revenue) of the earthworks market in Malaysia.

Figure 7: Breakdown on Composition of Construction Contracts or Services Provided by Advancecon Holdings, 2014-2016

Construction Services	2014		2015		2016	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
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
Total	184,341	100.0	230,338	100.0	213,970	100.0

Source: Advancecon Holdings

The market size (revenue) of the earthworks market in Malaysia stood at an estimated RM615.4 million in 2016, which was an increase of 3.2 percent from the RM596.5 million recorded in the previous year. The forecast CAGR for the earthworks market in Malaysia from 2017 to 2021 is 7.3 percent, with the size of the market projected to reach a value of RM875.4 million in 2021.

Figure 8: Estimated Market Size (Revenue) and Growth Forecast for the Earthworks Market in Malaysia, 2015-2021

Year	Market Size (Revenue) (RM million)	Growth Rate (%)
2015	596.5	-
2016	615.4	3.2
2017	659.9	7.2
2018	714.1	8.2
2019	775.4	8.6
2020	819.6	5.7
2021	875.4	6.8

CAGR (2017-2021) (base year of 2016): 7.3 percent

Notes:

- 1) All figures are rounded;
- 2) At constant price 2010;
- 3) Numbers may not necessarily add up due to round-off error.

Source: Protégé Associates

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

**6.0 Competitive Landscape of the Construction Industry**

The construction industry in Malaysia is regulated by the government, and it is mandatory for all contractors whether local or foreign to register with the Construction Industry Development Board ("CIDB") before they undertake to execute and complete any construction works in Malaysia. The construction industry is highly competitive and fragmented with different grades of contractors capable of bidding for varying project sizes according to their capabilities and levels of services.

As at end of March 2017, there were 80,600 registered contractors in Malaysia, each categorised by a grade ranging from G1 to G7. As illustrated in Figure 9, 63,019 contractors were registered under the G1, G2 and G3 grades (78.2 percent of total) while the rest consists of contractors registered under the G4 to G7 grades (21.8 percent of total).

Figure 9: Number of Market Participants in the Malaysian Construction Industry by Grade, 2015-March 2017

Grade	Bidding Limit	2015		2016		March 2017	
		No. of contractors	%	No. of contractors	%	No. of contractors	%
G1	Not exceeding RM200,000	34,068	47.4	35,555	44.5	35,528	44.1
G2	Not exceeding RM500,000	12,407	17.3	16,125	20.2	16,582	20.6
G3	Not exceeding RM1,000,000	9,375	13.1	10,728	13.4	10,909	13.5
G4	Not exceeding RM3,000,000	3,408	4.7	3,823	4.8	3,860	4.8
G5	Not exceeding RM5,000,000	4,746	6.6	5,095	6.4	5,108	6.3
G6	Not exceeding RM10,000,000	1,589	2.2	1,689	2.1	1,698	2.1
G7	Unlimited	6,206	8.6	6,868	8.6	6,915	8.6
Total		71,799	100.0	79,883	100.0	80,600	100.0

Source: CIDB

Out of a total of 80,600 registered contractors as at end of March 2017, the number of active contractors stood at 56,148, representing 69.7 percent of the total. As at end of March 2017, 11,941 new contractors entered the local construction industry - signalling the continued interest by new contractors to participate in the growing construction industry.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

The majority of the registered contractors were concentrated in certain geographic locations where there were higher demand for construction activities and services. Selangor, Sabah, Wilayah Persekutuan and Johor accounted for the highest number of contractors registered in Malaysia at 13,596, 11,151, 8,883 and 7,789 respectively as at end of March 2017.

G7 contractors mainly comprise established contractors who are able to compete for and undertake projects of unlimited size as they have the required financial strengths, track record and reputation and technical expertise to implement such large-scale projects. As at end of March 2017, there were 5,756 active and 454 new G7 contractors while 705 were either semi active or dormant.

G7 contractors are able to undertake and manage the entire project on their own and may work with or sub-contract certain portion/process to smaller contractors to benefit from cost and time savings. They typically have existing work relationships and track records with many customers that they are able to leverage upon to attain new projects. Some would have been pre-qualified with certain of their customers, allowing them to participate in closed tenders, giving them an edge in winning the bid.

The earthworks and civil engineering market is part of the construction industry in Malaysia and it is also considered to be mature and fragmented with the presence of many market players. Among the licensed contractors that have registered with CIDB, more than 27,000 contractors have registered under the earthworks category while more than 69,000 contractors have registered under the general civil engineering works category. Figure 10 depicts the number of contractors registered with CIDB under the earthworks and general civil engineering works category by grade in Malaysia as at 31 December 2016.

Figure 10: Contractors Registered under the General Civil Engineering Works and Earthworks Category by Grade in Malaysia, as at 31 December 2016

Grade	Earthworks	General Civil Engineering Works
G1	17,548	33,541
G2	3,368	13,325
G3	1,349	8,132
G4	1,189	3,183
G5	1,164	4,272
G6	575	1,403

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

Grade	Earthworks	General Civil Engineering Works
G7	2,537	6,116
Total	27,730	69,972

Source: CIDB

G1 contractors accounted for 63.3 percent and 47.9 percent of the total contractors registered with CIDB for the earthworks and general civil engineering works category respectively. G2 contractors came in at a distant second in terms of share of total contractors. G7 contractors, which are able to tender for projects of unlimited size, accounted for 9.1 percent of total contractors registered in the earthworks category and 8.7 percent of total contractors registered in the general civil engineering works category. Like in the rest of the markets within the construction industry, G7 contractors are typically considered the 'big boys' with the necessary financial strength and human resources to undertake large scale construction projects as compared to their counterparts. G7 contractors are generally established with a relatively long operating track record as well as technical expertise.

6.1 Market Player Analysis

Advancecon Holdings is a registered G7 contractor. Among the categories that it has registered with CIDB include the earthworks and general civil engineering works categories. As at 31 December 2016, the number of registered G7 contractors under the earthworks and general civil engineering works category in Malaysia stood at 2,537 and 6,116 respectively. For the purpose of this report, Protégé Associates has used the following criteria when selecting other market players in Malaysia for comparison with Advancecon Holdings:

- Registered as a G7 contractor for the category of CE21 (general civil engineering works) and CE36 (earthworks); and
- Registered an annual revenue of between RM100,000,000 and RM500,000,000;

The criteria are used to further narrow down the list of companies that can be selected for comparison with Advancecon Holdings. After taking into consideration the above criteria, Protégé Associates has selected three companies namely, Ireka Engineering & Construction Sdn Bhd ("Ireka"), Gadang Engineering (M) Sdn Bhd ("Gadang") and ML Sepakat Sdn Bhd ("ML Sepakat") for comparison purpose. It needs to be highlighted that the list of companies used for comparison purpose is not exhaustive and only serves as a reference for readers.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Ireka Engineering & Construction Sdn Bhd**

Ireka was registered as a private limited company on 28 March 1996 with the Companies Commission of Malaysia. It is a wholly-owned subsidiary of Ireka Corporation Berhad, a public listed company on the Official List of Bursa Malaysia Securities Berhad. Ireka is involved in the provision of earthworks, civil, structural and building construction and renting of construction plant and machinery. For the financial year ended 31 March 2016, Ireka registered revenue of RM252.7 million.

Gadang Engineering (M) Sdn Bhd

Gadang was registered as a private limited company on 24 June 1980 with the Companies Commission of Malaysia. It is a wholly-owned subsidiary of Gadang Holdings Berhad, a public listed company on the Official List of Bursa Malaysia Securities Berhad. Gadang is involved as a contractor for earthworks, building and civil engineering construction works. Gadang is also involved in investment holding. For the financial year ended 31 May 2016, Gadang registered revenue of RM462.2 million.

ML Sepakat Sdn Bhd

ML Sepakat was registered as a private limited company on 2 December 1994 with the Companies Commission of Malaysia. ML Sepakat is involved as a contractor for earthworks, civil engineering projects and involved in property development activities. For the financial year ended 31 December 2015, ML Sepakat registered revenue of RM155.1 million.

Figure 11: Comparison between Advancecon Holdings and Selected Industry Players in the Construction Industry in Malaysia

Indicator	Advancecon Holdings	Ireka	Gadang	ML Sepakat
Information from the Financial Year Ended	31 December 2016	31 March 2016	31 May 2016	31 December 2015
Revenue (RM)	234,668,000	252,739,204	462,180,049	155,129,158
Profit before Tax (RM)	37,146,000	-13,292,463	67,449,929	15,811,327
Profit after Tax (RM)	26,448,000	-13,308,604	51,858,825	10,462,327
Non-current Assets (RM)	136,164,000	76,872,395	93,891,756	35,823,747
Current Assets (RM)	159,724,000	242,850,646	317,316,418	128,569,377
Non-current Liabilities (RM)	47,444,000	11,884,782	25,759,035	11,228,690
Current Liabilities (RM)	142,823,000	285,874,977	251,781,654	82,228,314

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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Indicator	Advancecon Holdings	Ireka	Gadang	ML Sepakat
Working Capital (RM)	16,900,000	-43,024,331	65,534,764	46,341,063
Profit before Tax Margin (%)	15.8	-5.3	14.6	10.2
Current Ratio (times)	1.12	0.85	1.26	1.56
Asset Turnover (times)	0.79	0.79	1.12	0.94

Notes:

- 1) The list of selected market players above is not exhaustive
- 2) The above figures only provide an indication and are not considered directly comparable due to the following reasons:
 - (a) Not all market players have the same financial year end; and
 - (b) Not all companies carry out activities which are completely similar to each other or in the same geographical area

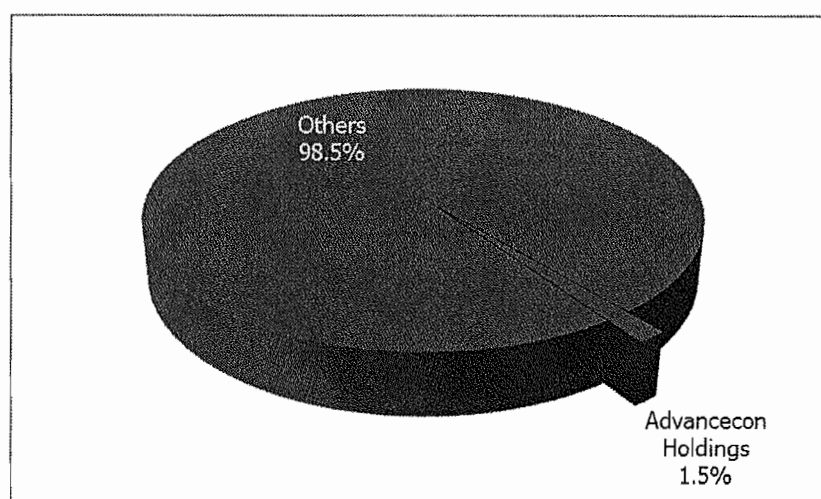
Sources: Advancecon Holdings, Companies Commission of Malaysia and Protégé Associates

6.2 Advancecon Holdings' Market Share Analysis

Advancecon Holdings is principally involved in the provision of earthworks and civil engineering in Malaysia.

For the financial year ended ("FYE") 31 December 2016, Advancecon Holdings generated revenue of RM234.7 million, equivalent to a 1.5 percent share of the earthworks and civil engineering market in Malaysia during the year. This is based on Advancecon Holdings' revenue of RM234.7 million against total estimated market size of the earthworks and civil engineering market in Malaysia of RM16.14 billion in 2016 (as stipulated in Figure 6).

Figure 12: Advancecon Holdings' Share within the Earthworks and Civil Engineering Market in Malaysia, 2016



7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

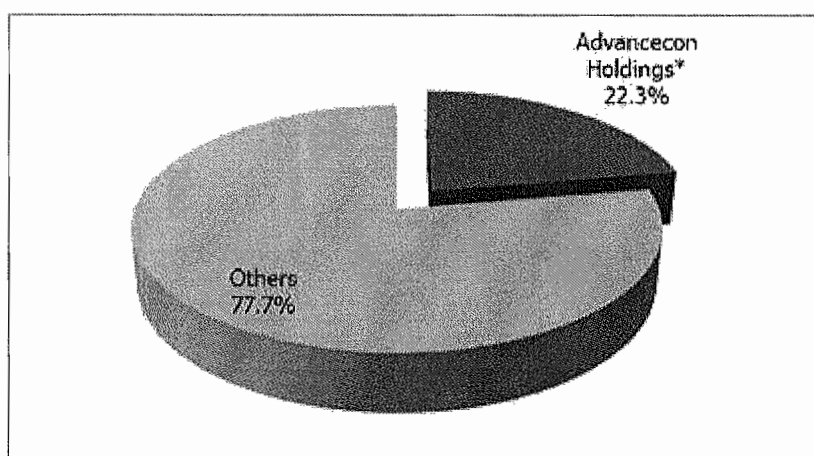
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Source: Protégé Associates

On a closer look, Advancecon Holdings accounted for a 22.3 percent share of the earthworks market in Malaysia in 2016. This is based on Advancecon Holdings' revenue of RM137.4 million (revenue derived from earthworks services only) against the total estimated market size of the earthworks market in Malaysia of RM615.4 million in 2016 (as stipulated in Figure 8).

Figure 13: Advancecon Holdings' Share within the Earthworks Market in Malaysia, 2016



*Note: *Market share based on Advancecon Holdings' revenue generated from earthworks services only*

Source: Protégé Associates

7.0 Demand and Supply Conditions

Figure 14: Demand and Supply Conditions Affecting the Construction Industry in Malaysia, 2017

Condition	Type	Impact
Government-Led Initiatives and Spending	Demand	Positive
A Favourable Interest Rate Environment	Demand	Positive
The Push by Property Developers to Boost Property Sales	Demand	Positive
Sustained Economic Growth to Boost Investment in Properties	Demand	Positive
Steady Population Growth	Demand	Positive
Stringent Policies Dampening Growth in the Property Market	Demand	Negative
Higher Goods and Services Tax ("GST")-Pushed Entry Price for New Properties Dampening Demand	Demand	Negative

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

BOARD | FINANCE | MARKET

Condition	Type	Impact
CIDB Providing the Necessary Leadership in Spearheading the Development of the Local Construction Industry	Supply	Positive
Active Role Taken by Masters Builders Association Malaysia ("MBAM") in Pushing for the Betterment of the Construction Industry in Malaysia	Supply	Positive
Strengthened Mechanism to Address Payment Disputes and Facilitate Adjudication	Supply	Positive
Labour Shortage and High Dependency on Foreign Workers	Supply	Negative
High Capital Demand from Elevated Post-GST Cost of Construction	Supply	Negative
Lack of Traction in the Adoption of Industrialised Building System ("IBS") Construction	Supply	Negative

Source: Protégé Associates

7.1 Demand Conditions

Government-Led Initiatives and Spending

The construction industry is expected to benefit from government-led initiatives and spending particularly those relating to the infrastructure development. A RM260 billion development allocation has been earmarked under the 11MP. Of the RM260 billion development allocation, around half is for developing infrastructure – which is to be undertaken by the construction industry. The Construction Industry Transformation Programme ("CITP") that covers the period from 2016 to 2020 which was introduced by the Malaysian Government under the 11MP is also expected to drive the local construction industry forward. This programme has identified four main strategies under the 11MP to transform the construction industry namely enhancing knowledge content, driving productivity, fostering sustainable practices and increasing the internationalisation of construction firms.

A Favourable Interest Rate Environment

All the key stakeholders in the construction industry in Malaysia namely existing borrowers (for purchasing property), contractors and property developers generally rely heavily on financing for various purposes such as purchasing property, working capital and capital expenditure. As such, the interest rate environment in the country typically has a big impact on these stakeholders and they are likely to reap the benefits derived from any low interest rate environment given that the cost of borrowing for them will also likely to be lower as well. However, the extent of the benefits that they stand to enjoy is dependent on the type of financing that they are using or applying i.e. fixed rate loan and floating rate loan.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

These stakeholders have been enjoying a favourable interest rate environment in Malaysia over the past years. The overnight policy rate ("OPR") in Malaysia has been relatively stable and it has only been hovering between 2.25 percent to 3.25 percent since 2010 with only four upticks of 25 basis points each recorded during the period from 2010 to the first quarter of 2017. Besides being stable, the interest rate is expected to trend downward during the forecast period. In July 2016, BNM already announced the decision to cut the OPR by 25 basis points from 3.25 percent to 3.00 percent. The interest rate environment in the banking and financial institutions in Malaysia is expected to remain stable with room for further cut in OPR during the forecast period and has continued to be closely supervised by BNM. With the growing uncertainties in the world's economy which is expected to grow at a slower pace, the central bank is expected to be more inclined towards maintaining a low interest rate environment.

The Push by Property Developers to Boost Property Sales

Property developers have been struggling to secure sales for the past few years since 2014 as BNM's measures in curbing property speculation as well as cheap credit and financing schemes have led to many genuine property buyers facing difficulty in purchasing a property. This is expected to drive more promotional activities and incentives for the sales of properties by property developers in Malaysia.

Promotional activities and incentives offered may vary from developer to developer but generally have two common features. The first feature involves the requirements for a low initial financial outlay and having a larger commitment at a later date. The second feature is premised on two assumptions, namely the credit profile of buyers/borrowers will improve in the future as well as the hope for a rebound in the property market within the next few years. These schemes are generally available for a limited time frame and/or apply to certain properties only.

Sustained Economic Growth to Boost Investment in Properties

Malaysian consumers are generally attaining greater affluence as a result of broad economic growth seen for the country over the past half-century. In addition, the per capita income in Malaysia rose by 4.6 percent from RM36,078 in 2015 to RM37,738 in 2016. This figure is projected to reach RM39,656 in 2017.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

PROPERTY | FINANCE | MARKET

Malaysia's real GDP expanded by 4.2 percent in 2016. It is projected to grow by between 4.3 percent to 4.8 percent in 2017. During good economic periods, the general population can expect better access to more job opportunities and salary growth, and this accordingly is expected to provide them with greater propensity to purchase, upgrade or invest in properties. Hence, the construction industry stands to benefit from the increase in uptake of properties.

Steady Population Growth

The Malaysian population is expected to continue growing at a steady pace. According to the Population and Housing Census, Malaysia 2010, the total population of Malaysia was 28.6 million in 2010. This figure is projected to grow steadily to reach 41.5 million in 2040.

The demand for properties is positively correlated to the growth in population. A higher population can translate to a higher demand for housing which is one of the life's basic necessities. A higher population can also create a bigger pool of potential demand for recreational needs offered by leisure properties such as shopping complexes and hotels. In addition, infrastructures need to be built or upgraded in order to cope with higher frequency of usage stemming from a higher population. As such, the construction industry in Malaysia can look forward to more construction activities with the expected growth in population.

Stringent Policies Dampening Growth in the Property Market

Amidst concerns over spiralling prices and home ownership issues, the Malaysian Government has put in place various measures and initiatives to curb speculative activities and promote responsible financing practices over the past years. Some of these measures and initiatives include the following:

- Implementation of a maximum loan-to-value ratio of 70 percent for the third mortgage and above taken out by a borrower;
- Implementation of new guidelines that require financial institutions to apply the net income calculation method instead of gross income when computing the debt service ratio for potential borrowers;
- Implementation of maximum tenure of 35 years for financing granted for the purchase of residential and non-residential properties (from 45 years);

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



- Implementation of maximum tenure of 10 years for financial extended for personal use (from 25 years) and prohibition on the offering of pre-approved personal financial products;
- Raising the real property gain tax ("RPGT") to 30 percent for gains on properties disposed of within three years, 20 percent for four years and 15 percent for 5 years;
- Imposing 30 percent RPGT for properties disposed of by non-citizens within five years and 5 percent for disposals after five years;
- Prohibiting the Developer Interest Bearing Scheme; and
- Increasing the minimum price of property that can be purchased by foreigners from RM500,000 to RM1 million.

The implementation of these restrictive measures has dampened the growth in the property market which is one of the key catalysts for the construction industry in Malaysia. Any unfavourable impact to the property market can hinder the progress in the construction industry.

Higher GST-Pushed Entry Price for New Properties Dampening Demand

The implementation of GST since 1 April 2015 has inevitably led to higher inflationary pressure on the prices of properties in Malaysia. With the GST, there is now a 6 percent tax rate on construction input materials such as cement, bricks, steels, floor tiles, pipes, fittings, paint as well as outsourced construction works along with the related architectural, legal and professional services. Unless property developers are willing to sacrifice their total profit margin, the higher increase in construction cost is likely to be passed to property buyers, either partially or in entirety, resulting in higher selling price for new properties launched.

With the entry cost of owning new properties being pushed higher post-GST, potential buyers are in a weaker position to accommodate a revised budget for new investment. This is expected to weigh on demand for new properties. Some of them may delay or postpone their property investment plans due to the need to save more money over a longer period of time. In addition, the implementation of GST has affected consumer sentiment and this is expected to remain a concern due to possible aversion to spending on big-ticket items such as properties.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

**7.2 Supply Conditions****CIDB Providing the Necessary Leadership in Spearheading the Development of the Local Construction Industry**

CIDB is a name synonymous with the construction industry in Malaysia. It was established under the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (Act 520) ("LPIP Act"). Over the past 20 years, CIDB has been playing an active role in helping to shape the direction and spur the growth in the construction industry in Malaysia. Various reforms and innovations have been initiated under the leadership of CIDB to bring positive changes and cohesion to the industry.

Moving forward, CIDB is expected to continue playing a prominent role in helping to drive the local construction industry to a successful future. CIDB has already developed the industry blueprint, CITP that outlines strategic goals and milestones to bring the local construction industry to the next level as espoused in the thrusts of 11MP covering the period from 2016 to 2020. In addition, CIDB was given more power under the recent Lembaga Pembangunan Industri Pembinaan Malaysia (Amendment) Act 2011.

Active Role Taken by MBAM in Pushing for the Betterment of the Construction Industry in Malaysia

The MBAM strives to become the prime mover and the recognised voice of the local construction industry. It was established in 1954.

MBAM has also been actively utilising various media platforms to create awareness and promote the betterment of the local construction industry as well as to highlight industry related issues faced. It publishes three issues annually of its official journal, Master Builders Journal ("MBJ").

Besides that, all relevant and updated information are constantly disseminated to its members via its websites. Moving forward, MBAM is expected to continue playing a significant role in helping to address any issues or problems faced by the local construction industry and guide the industry to a successful future.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Strengthened Mechanism to Address Payment Disputes and Facilitate Adjudication**

The construction industry in Malaysia has been grappling with long history of lengthy payment times and contract disputes as well as non-payment issues. These have resulted in many contractors suffering from cash flow problems leading to delayed projects. However, local construction industry players have reasons to be optimistic on resolving these long-standing issues following the introduction of the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") and the establishment of specialised construction courts in Malaysia. Both developments can go a long way towards helping to alleviate the prevalent and pervasive practice of delayed, underpayment and/or non-payment for works carried out under a construction contract in Malaysia.

Labour Shortage and High Dependency on Foreign Workers

The construction industry in Malaysia is labour intensive. However, it has continued to grapple with labour shortage including for skilled workers. Poor participation from Malaysians has also further exacerbated the problem. Most locals shun these jobs as they view them as dangerous, dirty and difficult, and they expect higher wages. Therefore, the construction industry has been relying heavily on foreign workers.

The Malaysian Government announced that foreign workers in the construction sector need to pay a levy of RM2,500, up from RM1,250, with effect from 1 February 2016. However, the levy was subsequently revised to RM1,850 following the outcry from employers and it came into force in Peninsular Malaysia with effect from 18 March 2016. This development will likely raise the cost of hiring foreign workers leading to higher cost of operations. In March 2016, the Malaysian Government announced the stop of recruitment of foreign workers but in May 2016, the ban was partially lifted with four sectors being allowed to hire foreign workers, including the manufacturing, construction, plantation and furniture-making industries. On a more recent note, the Malaysian Government had announced that beginning 1 January 2017, employers are required to pay for foreign worker levies instead of deducting it from the foreign workers' wages under the Employer Mandatory Commitment. However, following an outcry from the public on increased operating cost under the new policy, the levy ruling under the Employer Mandatory Commitment was deferred to 2018.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Higher Capital Demand from Elevated Post-GST Cost of Construction**

Notable cost components for a contractor namely, construction input materials, outsourced construction works as well as related architectural, legal and professional services in Malaysia are subject to a 6 percent GST. In addition, local construction industry players need to invest in more manpower and related software to undertake the additional administrative works required and comply with the regulatory requirements. Hence, contractors need to commit more working capital to undertake construction activities. The amount of additional working capital required is higher as businesses start to scale up their operations. It does not help also that there is expected to be a gap in the timing of GST refund, if any, due to the processing and investigation time required by the authority. In light of this, local construction industry players may need to have additional working capital to address any issues pertaining to the resulting mismatch in the timing of cash flow.

Lack of Traction in the Adoption of IBS Construction

Despite being introduced in Malaysia in the 1960s, the adoption rate of IBS construction has failed to gain significant traction due to various hurdles related to industry preparedness and cost considerations. Higher initial costs required seem to be deterring construction industry players. Construction industry players need to fork out a huge upfront deposit to IBS manufacturers which can impact their cash flow. They are likely to be less motivated to make the switch towards IBS construction given the continuing availability of foreign labour at a cheaper cost comparatively. It also does not help that existing import duty rates have rendered the costs high too for importing the required heavy construction machinery.

In the absence of a mass adoption by the local construction sector, it is hard for construction industry players to obtain meaningful economies of scale that can lead to economic viability. There is also a lack of standardisation of IBS in Malaysia as customised components for one project not necessarily fit into another project leading to higher costs incurred for new mould and design. Besides that, design consultants are not adequately trained or fully equipped to undertake IBS design related tasks. In addition, there is limited number of construction industry players that are ready to fully immerse themselves in an IBS-driven environment.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**8.0 Substitute Products or Services**

There are no direct substitutes to the activities conducted by the construction industry as it refers to a form of services and process in the construction or assembling of buildings and/or infrastructures. The services and processes in the construction industry are generic in nature and may be provided by any construction company. There is however a considerable degree of substitutability in terms of differing business models and strategies in which market participants can select as their own.

9.0 Reliance on and Vulnerability to Imports

The construction industry is generally not reliant on imports of raw materials. Major raw materials typically used in the construction industry such as diesel, cement, steel bars, pre-mixed and ready-mixed materials are readily available in Malaysia.

The construction industry is however, reliant on the import of construction machinery and equipment especially on the import of heavy construction machinery. The construction industry is also reliant on foreign workers in particular low-skilled foreign workers due to the labour-intensive nature of the industry. Foreign workers are employed in the construction industry due to cost reasons as well as poor participation by the local labour force. Most locals shunned these jobs as they view it as dangerous, dirty and difficult, and they expect higher wages. Therefore, the construction industry is highly reliant on foreign workers. CIDB is aware of the issue and has accordingly taken initiatives to transform and reduce the industry's reliance on foreign workers via the adoption of IBS and creation of a local skilled construction workforce.

10.0 Relevant Laws and Regulations Governing the Industry and Peculiarities of the Industry**10.1 Regulations****Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (Act 520)**

The LPIP Act came into force on 1 January 1994. Pursuant to the LPIP Act, the CIDB was established as the governing body entrusted with the responsibility to provide effective leadership and coordination among construction industry players in Malaysia. All builders, contractors and subcontractors, be it local or foreign, are required to register with the CIDB and comply with the provisions of the LPIP Act before undertaking or executing any construction work in Malaysia. Any person who undertakes to carry out and complete any construction works without being registered as a registered contractor with the CIDB shall be guilty of an offence under the LPIP Act.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



Amendments to the LPIP Act were passed in Parliament and gazetted in 2011. The revised LPIP Act, now known as the Lembaga Pembangunan Industri Pembinaan Malaysia (Amendment) Act 2011, or "CIDB Act 2011" was amended to upgrade the LPIP Act to be in line with best international practices in the industry.

Registration as Contractors

The Certification of Registration issued by the CIDB is valid for a minimum period of one year and a maximum term not exceeding three years, unless cancelled, suspended or revoked earlier by the CIDB. There are three categories of registrations, namely building construction, civil engineering construction and mechanical and electrical. The scope of registration can be further classified into seven grades with each grade having different tendering capacity as depicted in Figure 15.

Figure 15: CIDB Registration Requirements and Procedures

Grade	Tendering Capacity (RM)	Paid Up Capital ⁺ / Net Capital Worth ^{**} (RM)	Minimum Personnel Resources Requirement [#]
G7	No limit	750,000.00	Group A and 1 Group B (both minimum 5 years' experience) or 2 Group A (one of whom must have minimum 5 years' experience)
G6	Not exceeding 10 million	500,000.00	Group A and 1 Group B (one of whom must have minimum 3 years' experience)
G5	Not exceeding 5 million	250,000.00	1 Group A or 1 Group B (minimum 5 years' experience)
G4	Not exceeding 3 million	150,000.00	1 Group B
G3	Not exceeding 1 million	50,000.00	Course Certificate/ experience
G2	Not exceeding 500,000.00	25,000.00	Course Certificate/ experience
G1	Not exceeding 200,000.00	5,000.00	Course Certificate/ experience

Notes:

** Paid Up Capital (for Private Limited Company/ Public Company)*

*** Net Capital Worth (for sole proprietorship/ partnership) in the form of current account bank statement (average balance considered)/ balance from savings account/ overdraft facilities/ uncharged fixed deposit statement/ Amanah Saham Bumiputera ("ASB")/ Amanah Saham Nasional ("ASN") shares/ Premium Saving Certificate*

Group A – Degree holder in construction related fields

Group B – Diploma holder in construction related fields or other degree holder with experience in construction works

Source: CIDB

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

The CIDB registration also applies to foreign contractors providing construction services in Malaysia. A foreign contractor is a company incorporated in Malaysia or abroad, with equity owned by foreign individuals or company of 30 percent and above. A foreign contractor must apply for a Provisional Registration Certificate before participating in any tenders in Malaysia. Companies are not allowed to participate in any tenders before obtaining a Provisional Registration Certificate from CIDB. After that, a Foreign Contractor Registration Certificate is required to undertake construction services. A Foreign Contractor Certificate is only issued to foreign contractors to carry out construction projects stated within the certificate. A foreign contractor is not permitted to carry out or undertake to carry out any construction project before obtaining a Foreign Contractor Certificate.

The Malaysian Government had implemented the 'Sistem Satu Pendaftaran Kontraktor' ("SSPK") with immediate effect from 15 October 2012. SSPK is a method that combines the registration procedures of CIDB and Construction Services Centre ("PKK"). The PKK, which is an agency under the Ministry of Works, is involved in granting the bumiputera status to eligible contractors. PKK also plays an active role in developing quality and competent bumiputera contractors in Malaysia.

Under the new system, all the contractor licences issued by PKK in relation to participation in tenders called by the Malaysian Government authorities, statutory bodies, regulatory authorities or an entity that is otherwise regarded to be in the public sector are cancelled and replaced with 'Sijil Perolehan Kerja Kerajaan' ("SPKK") issued by CIDB. Nevertheless, the issuance of 'Sijil Taraf Bumiputera' for the identification of bumiputera status has remained under the control and supervision of PKK. Companies that apply for bumiputera status must fulfil the conditions stated in Surat Pekeliling Perbendaharaan Bil. 4 Tahun 1995 which are:

- i. Majority or at minimum 51% company shareholders are held by bumiputera whereby bumiputera individual share ownership should exceed non-bumiputera individual shares;
- ii. Majority or at minimum 51% of the Board of Directors are bumiputera;
- iii. Post of Executive Chief, Managing Director or General Manager and other key posts (key post) are held by bumiputera;
- iv. Majority or at minimum 51% of employees are bumiputera;

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

- v. Financial operations must be managed by bumiputera; and
- vi. Company organisation chart and management function must show full dominance by bumiputera.

The scope of registration for SPKK can be further classified into two categories, namely civil engineering, building or mechanical and electrical with six grades for each category. Each grade has different tendering capacity.

CIPAA

Modelled along similar mechanisms in the United Kingdom, Australia and Singapore, CIPAA has been developed to take in local legal and business requirements. It aims to set a benchmark for industry players to honour cash payments, paving new ways of doing business. With the enforcement of the CIPAA, late payments - which is characteristic of the industry is expected to trickle out and cash flow issues are also expected to be resolved speedily and professionally through the adjudication process.

The industry stands to gain from the implementation of the CIPAA, as one of its defining features is the statutory right given to affected parties to refer a dispute to adjudication. This inevitably compels parties to diligently comply with their respective contractual obligations. Hence, major potential disputes arising out of non-conformance to contractual obligation is automatically averted.

CIPAA is applicable to most written construction contracts for both the government and private sectors irrespective whether the contracts use local or international forms of contracts. It covers all construction works carried out wholly or partly within Malaysia, including construction works entered into by the government. However, there are a few exceptions. CIPAA does not apply to construction contracts entered into by a natural person for any construction works in respect of any buildings which is less than four storeys high and which is wholly intended for his (own) occupation.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Environmental Regulations**

Under the Environmental Quality (Prescribed Activities) (Environment Impact Assessment) Order 1987, an environmental impact assessment is required for the following activities including the construction of airports, land reclamation, housing development, infrastructure, ports, petroleum, etc. – subject to certain conditions – prior to project commencement.

Other Related Regulations

Other known related regulations include the Occupational Safety and Health Act 1994 (Act 514) ("OSHA") and Factories and Machinery Act 1967 (revised 1974) (Act 139) (Factories and Machineries Act (Amendment) 2006) (the "Act"). OSHA covers several pertinent issues such as the general duties of the employers and self-employed persons to ensure, so far as it is practicable, the safety, health and welfare at work of all his employees as well as persons other than employees, duty to formulate safety and health policy, as well as duties of designers, manufacturers and suppliers so far as it is practicable, that the plant is so designed and constructed as to be safe and without risks to health when properly used.

Meanwhile, pursuant to the Act, provisions relating to safety, health and welfare were outlined in Part II, Section 10. The aforementioned Section was not affected by the amending act except where amendments were made pertaining to terms and definitions. Further regulations were introduced under the Act such as Factories and Machinery (Building Operations and Works of Engineering Construction) (Safety) Regulations 1986, and Factories and Machinery (Safety, Health and Welfare) Regulations 1970, Factories and Machinery (Person-in-charge) (Amendment) Regulations 2014 and Factories and Machinery (Special Scheme of Inspection) (Risk-based Inspection) Regulations 2014.

Malaysia Standards ("MS")

As of 31 January 2016, the Department of Standards Malaysia, under the purview of the Ministry of Science, Technology and Innovation, had issued 58 mandatory standards for the Building, Construction and Civil Engineering category under "ISC D". For the category Mechanical Engineering specified under "ISC F", there are 14 mandatory standards, while Fire Safety and Prevention under "ISC M" features 45 mandatory standards. While ISC D mainly covers code of practices and specifications for raw materials used in construction, ISC F includes safety rules for construction and installation. Some safety rules also extend to the installation of electrical equipment and wiring systems under "ISC E". The Malaysia Standards ("MS") is published by SIRIM Berhad.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



The MS was initially modelled after the British Standards. Over time, other standards including standards from the International Organisation for Standardisation ("ISO"), American Society for Testing and Materials ("ASTM"), American Concrete Institute ("ACI"), Joint Commission International ("JCI") accreditation standards for hospitals as well as joint Australia/New Zealand standards were also adopted by the MS. In March 2010, following the shift of British Standards to Structural Eurocodes, the European Standards ("EN") was also adopted into the MS. With the arrangement of the European Committee for Standardisation ("CEN"), the structural Eurocodes will be published as "MS EN". As such, this shift has already been implemented in Malaysia, for example, MS EN 10025: Part 1:2009 (P):2011 for structural steels as well as MS EN 197-1:2007 and MS EN 197-2:2007 for specifications of cement and cement conformity evaluation respectively.

As the scope of these mandatory standards is so wide, many different authorities are tasked with its enforcement. Among these include CIDB, state governments, Department of Occupation, Health and Safety, the Fire Department and Ministry of International Trade and Industry. Furthermore, the CIDB, in collaboration with other organisations such as the Public Works Department, National Housing Department, Real Estate Housing Developers' Association Malaysia ("REHDA"), Malaysian Institute of Architects and National House Buyers Association ("HBA") had issued its own construction industry standard (CIS 7:2006) on Quality Assessment System for Building Construction Work. This standard specifies requirements on quality of workmanship and assessment procedures for building construction work, as part of the Quality Assessment System in Construction ("QLASSIC"). CIDB had also engaged in efforts to encourage local construction companies to attain ISO 9001 and ISO 14001 certifications to ensure the existence of a balanced environment where economic and social goals are in equilibrium.

CONQUAS, QLASSIC and SHASSIC

The Construction Quality Assessment System or CONQUAS is a workmanship assessment system developed by the Building and Construction Authority Singapore ("BCA") for a quantitative measure of the overall quality of a building's workmanship.

The Quality Assessment System in Construction or QLASSIC is a system or method to measure and evaluate the workmanship quality of a building construction work based on Construction Industry Standard (CIS7:2006). QLASSIC enables the quality of workmanship between construction projects to be objectively compared through a scoring system.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



The Safety and Health Assessment System in Construction or SHASSIC conducted by the CIDB, is a new independent method to assess and evaluate the safety and health performance of a contractor in construction works/projects.

10.2 Policies

In mapping the future of the construction industry, the government had formulated distinct policies and tasked certain agencies to sustain the momentum and growth of the industry. These policies are described briefly in the subsequent sub-sections.

Construction Industry Transformation Programme (2016-2020)

The CITP is developed by the CIDB to empower and strengthen the construction industry as espoused in the thrusts of the 11MP. The CITP, which sets important strategic goals and milestones to bring Malaysia's construction industry to the next level, aims to transform the construction industry encompassing four strategic thrusts as listed below:

Figure 16: Strategic Thrusts of CITP

Strategic Thrust		Description
Strategic Thrust 1 ("ST 1")	Quality Safety and Professionalism	Quality safety and professionalism to be ingrained in industry culture
Strategic Thrust 2 ("ST 2")	Environmental Sustainability	Malaysia's environmentally sustainable construction to be a model for the emerging world
Strategic Thrust 3 ("ST 3")	Productivity	Productivity of the industry is more than doubled, matched by higher wages
Strategic Thrust 4 ("ST 4")	Internationalisation	Malaysia's champions to lead the charge locally and globally.

Source: CIDB

Third Industrial Master Plan ("IMP3") 2006 – 2020

The IMP3 is a blueprint for greater industrial development, i.e. for the manufacturing and services sectors for the period 2006 to 2020. For the construction industry, key highlights from the IMP3 include:

- (1) Measures to encourage greater growth and contribution of small and medium enterprises in terms of technical expertise as well as to form linkages with large construction companies to participate in construction projects domestically and overseas;

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

- (2) To enhance exports for construction and related engineering services (identified as one of the growth areas) – tasked to Malaysian External Trade and Development Corporation (“MATRADE”), the Professional Services Development Corporation, the National Professional Services Export Council (“NAPSEC”) and other relevant agencies;
- (3) Greater liberalisation under the World Trade Organisation (“WTO”) agreements such as General Agreement on Trade in Services (“GATS”) (the construction services is recognised as a service sub-sector) and ASEAN Framework Agreement on Services (“AFAS”) increases competition in the domestic sphere. Hence, the government encourages consolidation of smaller construction companies to increase their tendering capacity in emerging markets such as India, China and West Asia; and
- (4) Measures to shift construction providers to a cluster-based bidding strategy, encompassing related services such as architectural, engineering and financial services, to bid for larger projects (shifts to total solutions providers).

National Housing Policy (“NHP”)

Launched in 2011, the NHP was designed to provide adequate, comfortable, quality and affordable housing to enhance the sustainability of the quality of life of the people. The NHP comprised of six thrusts and 20 policy statements.

Investment Policies and Initiatives

To encourage investments in Malaysia, the government had initiated several policies. Among the investment-friendly policies which impact the construction industry include:

Incentive for IBS

Companies that incur expenses on the purchase of moulds used in the production of IBS components are eligible for Accelerated Capital Allowances (“ACA”) for a period of three years. Applications should be submitted to Inland Revenue Board (“IRB”).

Industrial Building Allowance (“IBA”)

An IBA is granted to companies incurring capital expenditure on the construction or purchase of a building that is used for specific purposes, including manufacturing, agriculture, mining, infrastructure facilities, research, Approved Service Projects and hotels that are registered with the Ministry of Tourism. Such companies are eligible

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

for an initial allowance of 10.0 percent and an annual allowance of 3.0 percent. As such, the expenditure can be written off in 30 years.

Claims should be submitted to IRB.

IBA for Buildings in MSC Malaysia

To encourage the construction of more buildings in Cyberjaya for use by Multimedia Super Corridor ("MSC") Malaysia status companies, IBA for a period of 10 years will be given to owners of new buildings occupied by MSC Malaysia status companies in Cyberjaya. Such new buildings include completed buildings but are yet to be occupied by MSC Malaysia status companies.

Claims should be submitted to IRB.

International Services Commitments

In context of a borderless world, Malaysia had taken part in several cross-border commitments in line with its efforts to implement open economic policies. Through various government agencies such as the Ministry of International Trade and Industry Malaysia ("MITI") and Malaysian Investment Development Authority ("MIDA"), the Malaysian Government had pledged progressive liberalisation of the domestic construction industry as per several international service agreements. These agreements are classified based on the Central Product Classification, i.e. (the "CPC") and four modes of services trade: (a) Mode 1 - Cross Border Trade: Supply of services by service producers of one country to purchasers in another country, but where there is no movement of the service supplier/ purchaser across border (e.g. Internet e-trading); (b) Mode 2 - Consumption Abroad: Supply of services in the territory of one country to the service consumer of another country (involves travelling, e.g. tourism and education services); (c) Mode 3 – Commercial Presence: Supply of services by a service producer of one country through the commercial presence in the territory of another country (e.g. foreign direct investments in services); and (d) Mode 4 – Movement of Natural Persons: Supply of service by a service personnel who travels to another country to provide the service (e.g. expatriates, business and professional services abroad and foreign workers).

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

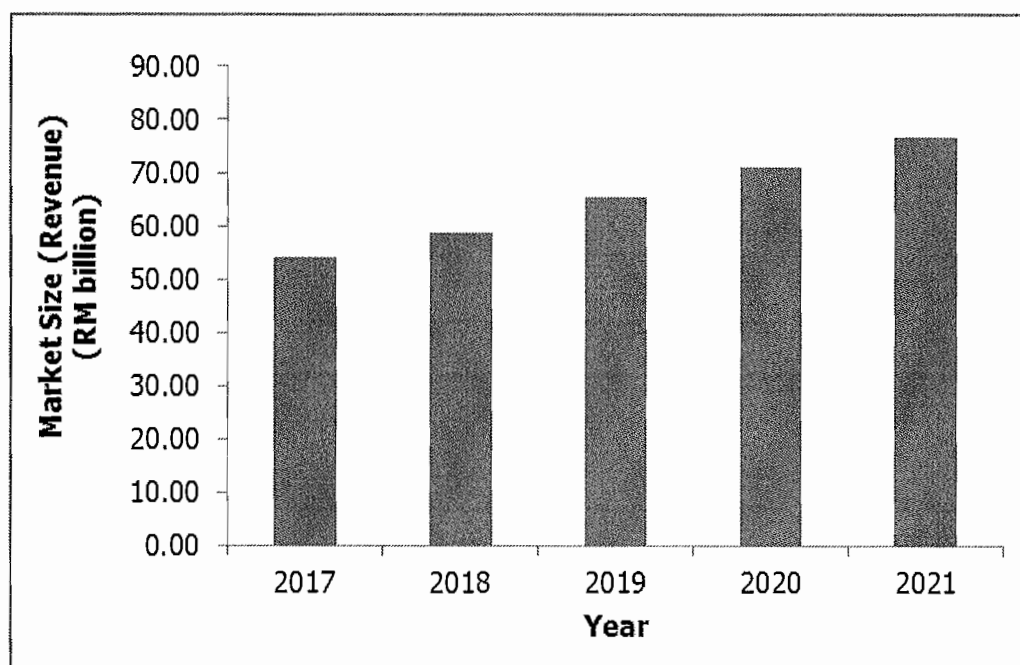
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11.0 Prospects and Outlook of the Construction Industry in Malaysia

The outlook for the construction industry is positive for the immediate term, and steady growth is projected throughout the forecast period from 2017 to 2021. For 2016, the market size (revenue) of the construction industry in Malaysia stood at an estimated RM50.09 billion and has a forecast CAGR of 8.9 percent from 2017 to 2021. Protégé Associates projects the market size (revenue) of the construction industry in Malaysia to reach RM76.58 billion in 2021.

Figure 17: Market Size (Revenue) and Growth Forecast for the Construction Industry in Malaysia, 2017-2021



Note: At constant price 2010.

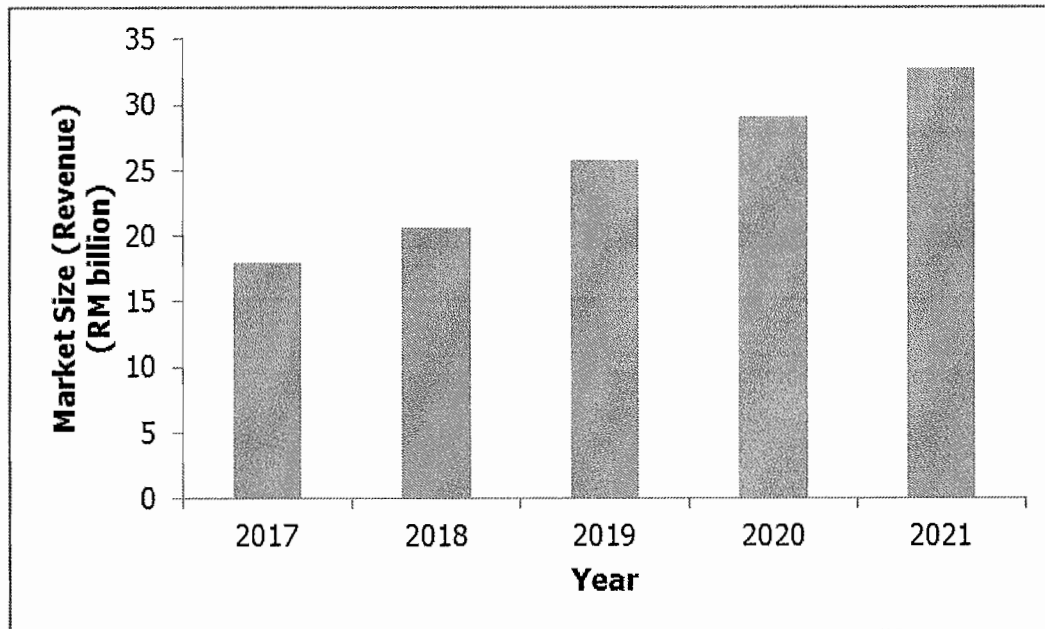
Source: Protégé Associates

Similarly, the outlook for the earthworks and civil engineering market is also positive for the immediate term and is expected to post moderate growth throughout the forecast period from 2017 to 2021. For 2016, the market size (revenue) of the earthworks and civil engineering market in Malaysia stood at an estimated RM16.14 billion and has a forecast CAGR of 15.3 percent from 2017 to 2021. Protégé Associates projects the market size (revenue) of the earthworks and civil engineering market in Malaysia to reach RM32.82 billion in 2021.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



Figure 18: Market Size (Revenue) and Growth Forecast for the Earthworks and Civil Engineering Market in Malaysia, 2017-2021



Note: At constant price 2010.

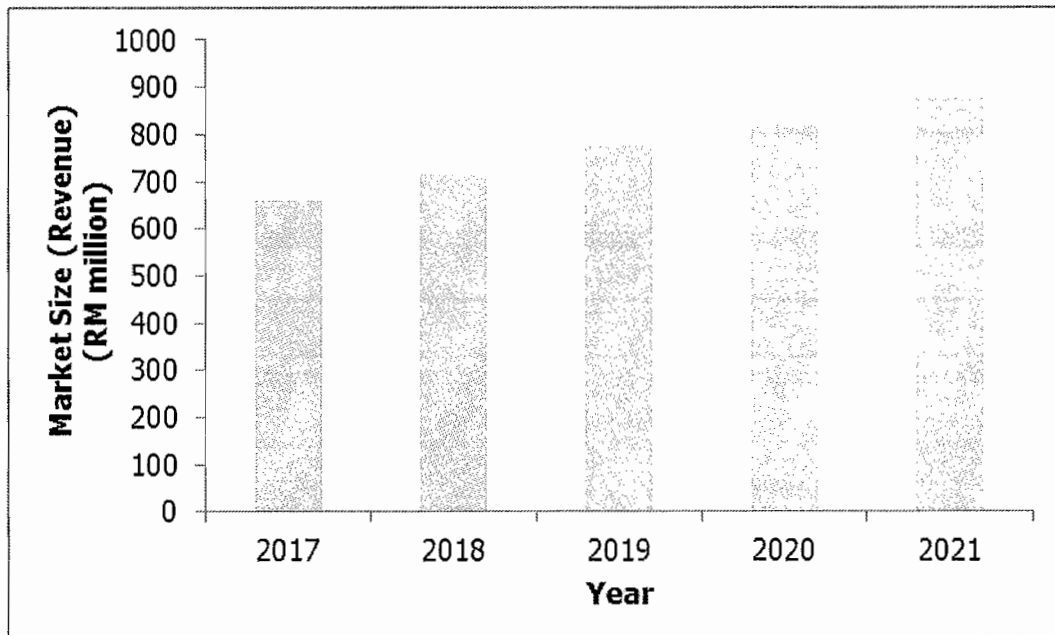
Source: Protégé Associates

In 2016, the market size (revenue) of the earthworks market in Malaysia stood at an estimated RM615.4 million and has a forecast CAGR of 7.3 percent from 2017 to 2021. Protégé Associates projects the market size (revenue) of the earthworks market in Malaysia to reach RM875.4 million in 2021.

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



Figure 19: Market Size (Revenue) and Growth Forecast for the Earthworks Market in Malaysia, 2017-2021



Note: At constant price 2010.

Source: Protégé Associates

Factors priming growth within the construction industry is likely to come from the government-led initiatives and spending particularly that relating to the infrastructure development, a favourable interest rate environment, the push by property developers to boost the sales of properties, a sustained economic growth (albeit at a more moderate pace) boosting spending and investment in properties and steady population growth. However, stringent policies imposed on the property market by the Malaysian Government and higher GST-pushed entry price for new properties are expected to dampen demand for properties. In addition, a weakened property market is expected to weigh on the overall performance of the construction market in Malaysia. However, the push for more affordable housing is expected to provide impetus for the growth in the property market in Malaysia.

On the supply side, the industry is expected to be boosted by efforts from industry bodies such as CIDB and MBAM by providing necessary leadership in spearheading the development of the local construction industry as well as raising profile and pushing for the betterment of the construction industry in Malaysia. In addition, the introduction of the CIPAA has also served as a strengthened mechanism to address payment disputes and facilitate adjudication within the industry. On the other hand, the Malaysian construction industry is expected to be hampered by factors including labour shortage and high dependency on foreign workers, high

7. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

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capital demand from elevated post-GST cost of production, as well as the lack of traction in the adoption of IBS construction.

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG

Managing Director

Protégé Associates Sdn. Bhd.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT**8.1 Promoters and substantial shareholders****8.1.1 Shareholdings of our Promoters and substantial shareholders**

The direct and indirect shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO are set out below:-

Promoters and substantial shareholders	Nationality	Before our IPO			After our IPO		
		Direct	Indirect	Advancecon	Direct	Indirect	Advancecon
		No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' Phum	Malaysian	106,763,750	34.1	-	-	95,563,750 ¹	23.7 ¹
Lim Swee Chai	Malaysian	57,488,250	18.3	-	-	51,488,250 ¹	12.7 ¹
Pham Soon Kok	Malaysian	32,850,250	10.5	-	-	29,350,250	7.3 ¹
Ir. Yeo An Thai	Malaysian	16,425,250	5.3	-	-	14,875,250 ¹	3.7 ¹
Tung Kai Hung	Malaysian	16,425,250	5.3	-	-	14,875,250 ¹	3.7 ¹
Lim Kok Tiong	Malaysian	16,425,250	5.3	-	-	14,789,250 ¹	3.7 ¹
Puah Kian Yiew	Malaysian	16,425,250	5.3	-	-	14,793,250 ¹	3.7 ¹
Lam Wing King	Malaysian	16,425,250	5.3	-	-	14,789,250 ¹	3.7 ¹
Chan Keng Kong	Malaysian	16,425,250	5.3	-	-	14,769,250 ¹	3.7 ¹
Yap Goon Ying	Malaysian	16,425,250	5.3	-	-	14,777,250 ¹	3.7 ¹

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT(CONT'D)

Note:-

*1 The shareholdings shown in the table above included the pink form allocation amounting to 992,000 Shares under the Public Issue as set out in Section 3.7.1(ii) of this Prospectus

Save as disclosed above, our Directors are not aware of any person who is able to, directly or indirectly, jointly or severally, exercises control over our Company.

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8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.1.2 Profiles of our Promoters

The profiles of our Promoters are as follows:-

- i. **Dato' Phum** (Male), a Malaysian aged 59, is our Group Chief Executive Officer. He was appointed to our Board on 9 April 1997. He is responsible for our Group's overall business development, which includes setting our Group's direction, formulating corporate development plan and driving our business growth. In addition, he is also involved in overseeing the daily on-site operations and contracts and operations related matters. He has approximately 41 years of working experience in the construction industry. He attended his secondary education at Sekolah Menengah Jenis Kebangsaan Chong Hwa, Kuala Lumpur in 1975.

He began his career as an apprentice with Nam Leong Enterprise immediately after he completed his secondary education in 1975 where he was responsible for handling sales and delivery of the motor vehicles spare parts. In 1976, he left Nam Leong Enterprise and joined See Yong & Sons Sdn Bhd, a Marine and Civil Engineering Contractor as Supervisor where he was involved in various civil engineering projects while assisting his family to set up their family business. In 1978, he left See Yong & Sons Sdn Bhd and joined his family business under Soon Kim Trading & Engineering which was primarily involved in the operation and rental of heavy machinery and equipment where he oversaw the on-site operation and maintenance services of the machinery and equipment.

Dato' Phum has been the driving force of Soon Kim Trading & Engineering which was subsequently incorporated as a private limited company in 1990 under the name of Pembinaan Sin Soon Kim Sdn Bhd where he was a co-founder and subsequently changed its name to Advancecon Infra in 2010 which mainly involved in civil engineering services include, the construction of main drains, road works and sewerage systems and hiring services of heavy machinery and equipment. He is responsible for the overall business activities such as strategic planning and business development activities of Advancecon Infra.

He subsequently together with Lim Swee Chai, incorporated ASB in 1993 to expand the construction business. In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken and he is currently our Group Chief Executive Officer.

Dato' Phum is the brother to Pham Soon Kok.

8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- ii. **Lim Swee Chai** (Male), a Malaysian aged 61, is our Deputy Group Chief Executive Officer. He was appointed to our Board on 9 April 1997. He is responsible for our Group's overall strategic management, strategic corporate planning and oversee our contracts and operations related matters. He has approximately 36 years of working experience in the construction industry. He graduated with a Diploma in Technology (Building) from Tunku Abdul Rahman College, Malaysia in 1981.

He began his career as Contracts Executive with Low Hoo & Sons Sdn Bhd in 1981 until 1983, where he was responsible for daily execution and supervision of construction projects, surveying tasks, preparation of progress claims and monitoring of project budgeting.

Thereafter, he joined Pamconel Sdn Bhd as Assistant Contracts Executive in 1983 until 1984. Subsequently in 1984, he joined Real-Prop Holdings Sdn Bhd, a property developer as Project Assistant until 1985 where he was responsible for assisting project management and procurement operations.

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

He left Teguh Kaya Sdn Bhd in 1993 and co-founded ASB together with Dato' Phum where he was mainly responsible for the overall contract management functions and managing office operations for the construction projects undertaken. In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken and he is currently our Deputy Group Chief Executive Officer.

Lim Swee Chai is the uncle to Lim Kok Tiong.

- iii. **Pham Soon Kok** (Male), a Malaysian aged 54, is our Promoter and substantial shareholder. He does not hold any executive position in our Group. He has approximately 39 years of working experience in the construction industry. He attended his secondary education at Sekolah Menengah Kebangsaan Seri Titiwangsa, Kuala Lumpur in 1978.

He began his career with Soon Kim Trading & Engineering in 1978 which was primarily involved in the operation and rental of heavy machinery and equipment where he was mainly responsible for operating heavy machinery and equipment.

8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Soon Kim Trading & Engineering was subsequently incorporated as a private limited company in 1990 under the name of Pembinaan Sin Soon Kim Sdn Bhd where he was a co-founder and later changed its name to Advancecon Infra in 2010 which mainly involved in civil engineering services include, the construction of main drain, road work and sewerage system and hiring services of heavy machinery and equipment. Pham Soon Kok was then responsible for the operations of the machinery and equipment where he was tasked to supervise and to coordinate the operations of machinery and equipment at construction sites to support all the construction projects undertaken and he was also responsible for the maintenance of all the machinery and equipment.

Subsequently in 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of Workshop Manager since then. In 2013, he left Advancecon Group but remained as a substantial shareholder of our Group until today.

Pham Soon Kok is the brother to Dato' Phum.

- iv. **Ir. Yeo An Thai** (Male), a Malaysian aged 45, is our Chief Operating Officer. He was appointed to our Board on 1 August 2016. He is responsible for the overall operations of our Group which include decision making on corporate affairs and managing site technical operational activities of our Group. He has approximately 20 years of working experience in the construction industry.

He graduated with a Bachelor of Engineering with Honours Degree in Civil and Structural Engineering from Universiti Kebangsaan Malaysia in 1997 and subsequently obtained a Master of Engineering Management from Universiti Putra Malaysia in 2015. He is a registered Project Management Professional with the Project Management Institute, United States since 2009, a member of the Institution of Engineers, Malaysia and a registered Professional Engineer with the Board of Engineers, Malaysia since 2013. In 2014, he registered as a Green Building Index Facilitator with Green Building Index, Malaysia.

He began his career as Site Engineer in Gamuda Berhad in 1997 and was later promoted to Section Head in 2001, where he was assigned to manage several highway projects undertaken by Gamuda Berhad. In 2001, he left Gamuda Berhad and joined ASB as Site Manager where he was responsible for day-to-day on site operations of all the construction projects. In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of General Manager of Project Management before he was promoted to Chief Operating Officer in 2015.

Ir. Yeo An Thai has no family relationship with other Promoter, substantial shareholder, Directors and key management of our Group.

8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- v. **Tung Kai Hung** (Male), a Malaysian aged 54, is our General Manager of Contracts. He was appointed to our Board on 1 August 2016. He is responsible for the overall contract management functions, where he leads and oversees the operations of submission of tenders and to prepare cost estimates including selection of our subcontractors and suppliers for all our construction projects. He has approximately 31 years of working experience in the construction industry. He graduated with a Diploma in Technology (Building) from Tunku Abdul Rahman College, Malaysia in 1986.

He began his career as Site Supervisor with Lai Yoke Chee Construction Sdn Bhd in 1986 where he was assigned to carry out supervision works on-site and to handle project claims. In 1988, he left Lai Yoke Chee Construction Sdn Bhd and joined Markcon Sdn Bhd as Contract Officer until 1989 where he was responsible for preparing and monitoring project cost budgeting and contract claims. In 1989, he joined Indah Seputih Sdn Bhd as Contract Officer where he was responsible for carrying out construction claims, project management and to source and negotiate with subcontractors to tender for projects. Subsequently in 1993, he left Indah Seputih Sdn Bhd and joined Kenneison Brothers Construction Sdn Bhd as Senior Contracts Executive where he was responsible for progress claim valuations, verification check on closing of accounts and project administration of construction projects until 1999.

Subsequently in 1999, he joined ASB as Senior Contracts Executive where he was responsible for the overall contract management functions which include the preparation of tender and contract documents, project costing for tender submission and the management of project operations. In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of General Manager of Contracts since then.

Tung Kai Hung has no family relationship with other Promoter, substantial shareholder, Directors and key management of our Group.

- vi. **Lim Kok Tiong** (Male), a Malaysian aged 43, is our General Manager of Project Management. He is responsible for overseeing the execution of construction projects undertaken by our Group, which include project planning and project scheduling. He is also responsible to lead and outline the safety measures and the QMS during the course of our construction project. He has approximately 20 years of working experience in project management within the construction industry. He graduated with a Bachelor of Engineering with first class Honours Degree in Civil and Structural Engineering from University Kebangsaan Malaysia in 1998 and subsequently obtained a Master of Business Administration from University of Lincoln, United Kingdom in 2002.

8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

He began his career as Engineer with Arup Jururunding Sdn Bhd in 1997 where he was involved in the design of building structure until 1998. In 1998, he joined The Buildfab Sdn Bhd as Engineer where he was responsible for the overall execution and management of steel works projects and was promoted to Assistant Manager in 1999 before he left The Buildfab Sdn Bhd in 2000.

In 2000, he joined Gabungan Cekapbina Sdn Bhd where he assumed the role of director and was responsible for project management and project planning until 2006. Thereafter, he joined ASB in 2006 as Project Manager, mainly responsible for managing and monitoring of project execution and subsequently promoted to Senior Project Manager in 2007. In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of Senior Project Manager before he was promoted to General Manager of Project Management in 2015.

Lim Kok Tiong is the nephew of Lim Swee Chai.

- vii. **Puah Kian Yiew** (Male), a Malaysian aged 41, is our General Manager of Production and Operation. He is responsible for the planning, coordination and the operations of all the heavy machinery and equipment of our Group. He has approximately 17 years of working experience in various operational management in the construction industry. He graduated with a Bachelor of Science Degree in Building Construction Management from Sheffield Hallam University, United Kingdom in 2000.

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

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

Puah Kian Yiew has no family relationship with other Promoter, substantial shareholder, Directors and key management of our Group.

- viii. **Lam Wing King** (Male), a Malaysian aged 47, is our Assistant General Manager of Workshop. He is responsible for the overall maintenance and repairing services of all the heavy machinery and equipment of our Group. He has approximately 33 years of working experience in earthworks and the operations of machinery and equipment. He attended his secondary education at Confucian Private Secondary School, Kuala Lumpur in 1983.

8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

He began his career as a mechanical foreman with Sin Yee Heavy Machinery Trading in 1984 until 1994 where he was responsible for the maintenance and repairing services of various heavy machinery. In 1994, he left Sin Yee Heavy Machinery Trading and set up Keng Wing Tractor & Services which mainly involved in the provision of maintenance services for tractors. He also set up Tristar Earthwork Trading in 1995 which mainly involved in earthworks services. Subsequently in 1997, he left Keng Wing Tractor & Services and Tristar Earthwork Trading and joined Advancecon (the then subsidiary of ASB) as Workshop Manager where he was responsible for undertaking earthworks projects and carrying maintenance and repairing services of machinery and equipment.

In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of Workshop Manager and was later promoted to Senior Manager in 2013 before he was promoted to Assistant General Manager of Workshop in 2015.

Lam Wing King has no family relationship with other Promoter, substantial shareholder, Directors and key management of our Group.

- ix. Chan Keng Kong** (Male), a Malaysian aged 56, is our Senior Manager of Production and Operation. He supports our General Manager of Production and Operation in the operations of heavy machinery and equipment where he coordinates the operations of machinery and equipment and provides coaching to the operators of the usage of our machinery and equipment for the construction projects undertaken by our Group. In addition, he is also a licensed shotfirer to carry out rock blasting activity of our Group. He has approximately 38 years of working experience in earthworks which include approximately 21 years of working experience in rock blasting activity. He completed his secondary education at Sekolah Menengah Jenis Kebangsaan Nan Hwa, Perak in 1978.

He began his career as a Site Clerk with Seng Mines Sdn Bhd in 1979 where he was responsible for clerical and administrative support duties. In 1980, he left Seng Mines Sdn Bhd and joined Ramuda Sdn Bhd as Mining Supervisor until 1991 where he was responsible for supervising the maintenance services of machinery and equipment. Thereafter, he joined Region Resources Sdn Bhd in 1991 as a Quarry Supervisor where he was responsible for supervising the overall quarry blasting operations until 1997. In 1997, he joined Jeram Land Sdn Bhd as its director. In 2002, he left Jeram Land Sdn Bhd and joined Inspirasi Hebat (the then subsidiary of ASB) as its director to oversee and manage on-site rock crushing activity.

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

Chan Keng Kong has no family relationship with other Promoter, substantial shareholder, Directors and key management of our Group.

8 INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- x. **Yap Goon Ying** (Male), a Malaysian aged 54, is our Logistic Manager. He is responsible for the coordination and management of day-to-day logistic operations of our machinery and equipment for our construction projects. He has approximately 31 years of working experience in construction industry. He graduated with a Diploma in Technology (Building) from Tunku Abdul Rahman College, Malaysia in 1986.

He began his career as Construction Manager with M.k.s.k. Joinery & Metal Works Sdn Bhd in 1986 where he was responsible for supervising and monitoring the execution of construction projects to be in accordance with the requirements of the contracts, construction works drawing and its outlined specifications. In 1993, he left M.k.s.k. Joinery & Metal Works Sdn Bhd and joined ASB as Construction Manager where he oversaw and coordinated on-site construction activities, which include safety measurements of the construction site and the execution of construction activities.

In 2010, Advancecon Group was established pursuant to an internal reorganization exercise undertaken whereby he assumed the role of Assistant General Manager of Project Management, responsible for supporting the General Manager of Project Management in overseeing the overall execution of the details of project management. Subsequently in 2012, he was redesignated as Workshop Manager where he was responsible for the maintenance services of our machinery and equipment before redesignated as Logistic Manager in 2014.

Yap Goon Ying has no family relationship with other Promoter, substantial shareholder, Directors and key management of our Group.

8.1.3 Profiles of our substantial shareholders

Our current substantial shareholders are 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. Their profiles are set out in Section 8.1.2 of this Prospectus.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.1.4 Changes in substantial shareholders and Promoters' shareholdings in our Company**

Save as disclosed below, there are no other changes in the shareholdings of our Promoters and substantial shareholders in our Company for the past three (3) financial years up to the LPD:-

Promoters and Substantial Shareholders	As at 31 December 2014			As at 31 December 2015			As at 31 December 2016			As at the LPD		
	Direct	Indirect	No. of Advancecon Shares %	Direct	Indirect	No. of Advancecon Shares %	Direct	Indirect	No. of Advancecon Shares %	Direct	Indirect	No. of Advancecon Shares %
Dato' Phum			427,055 34.1			427,055 34.1			106,763,750 34.1			106,763,750 34.1
Lim Swee Chai			229,953 18.3			229,953 18.3			57,488,250 18.3			57,488,250 18.3
Pham Soon Kok			131,401 10.5			131,401 10.5			32,850,250 10.5			32,850,250 10.5
Ir. Yeo An Thai			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3
Tung Kai Hung			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3
Lim Kok Tiong			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3
Puah Kian Yiew			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3
Lam Wing King			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3
Chan Keng Kong			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3
Yap Goon Ying			65,701 5.3			65,701 5.3			16,425,250 5.3			16,425,250 5.3

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.2 Our Directors

8.2.1 Shareholdings of our Directors

The direct and indirect shareholdings of our Directors in our Company before and after our IPO are set out below:-

Directors	Designation	Nationality	Before our IPO			After our IPO ¹		
			Direct	Indirect	Total	Direct	Indirect	Total
			No. of Advancecon Shares	%	No. of Advancecon Shares	%	No. of Advancecon Shares	%
Yeoh Chong Keat	Chairman/ Independent Executive Director	Malaysian	-	-	100,000	- ²	-	-
Dato' Phum	Group Chief Executive Officer/ Non-Independent Executive Director	Malaysian	106,763,750	34.1	-	-	95,563,750	23.7
Lim Swee Chai	Deputy Group Chief Executive Officer/ Non-Independent Executive Director	Malaysian	57,488,250	18.3	-	-	51,488,250	12.7
Ir. Yeo An Thai	Chief Operating Officer/ Non-Independent Executive Director	Malaysian	16,425,250	5.3	-	-	14,875,250	3.7
Tung Kai Hung	General Manager of Contracts/ Non-Independent Executive Director	Malaysian	16,425,250	5.3	-	-	14,875,250	3.7
Mohd Zaky bin Othman	Independent Director	Malaysian	-	-	-	-	100,000	- ²
Fathi Ridzuan bin Ahmad Fauzi	Independent Director	Malaysian	-	-	-	-	100,000	- ²

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Notes:-

*1 The shareholdings shown in the table above included the pink form allocation amounting to 1,000,000 Shares under the Public Issue as set out in Section 3.7.1(ii) of this Prospectus

*2 Negligible

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.2.2 Profiles of our Directors

As at the LPD, our Board comprises of seven (7) members, of which four (4) are non-independent executive Directors and three (3) are independent non-executive Directors.

Name	Age	Date of appointment	Directorship	
Yeoh Chong Keat	59	1 August 2016	Chairman/ Independent Director	Non-Executive
Dato' Phum	59	9 April 1997	Non-Independent Director	Executive
Lim Swee Chai	61	9 April 1997	Non-Independent Director	Executive
Ir. Yeo An Thai	45	1 August 2016	Non-Independent Director	Executive
Tung Kai Hung	54	1 August 2016	Non-Independent Director	Executive
Mohd Zaky bin Othman	60	1 August 2016	Independent Director	Non-Executive
Fathi Ridzuan bin Ahmad Fauzi	52	1 August 2016	Independent Director	Non-Executive

The profiles of Dato' Phum, Lim Swee Chai, Ir. Yeo An Thai and Tung Kai Hung are set out in Section 8.1.2 of this Prospectus. The profiles of our independent non-executive Directors are as follows:-

- i. **Yeoh Chong Keat** (Male), a Malaysian aged 59, is our Chairman/ Independent Non-Executive Director. He was appointed to our Board on 1 August 2016. He graduated with a Foundation Course in Accountancy from City of Birmingham Polytechnic, United Kingdom in 1978. He is an Associate of the Institute of Chartered Accountants in England and Wales since 1982 and subsequently became a Fellow of the Institute of Chartered Accountants in England and Wales in 1993. He is a member of the Malaysian Institute of Certified Public Accountants since 1990, a Fellow of the Chartered Tax Institute of Malaysia since 1997, and a Chartered Accountant of the Malaysian Institute of Accountants since 2001.

He began his career in 1978 as Accountant with Coopers and Lybrand Deloitte (now known as PricewaterhouseCoopers), United Kingdom. In 1983, he left PricewaterhouseCoopers and joined Messrs Deloitte KassimChan as Audit Supervisor and subsequently became the Tax Manager in 1984 until 1987. During his tenure with these two (2) audit firms, he was involved in the areas of audit, tax management and consulting services.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

In 1988, he left Messrs. Deloitte KassimChan and joined Econstates Berhad (now known as IJM Land Berhad) as Finance Director where he was responsible for overseeing the financial management, corporate planning and treasury management until 1989. In 1989, he left and joined PFA Corporate Services Sdn Bhd, a corporate secretarial and corporate advisory services firm as Executive Director until 1999.

Upon leaving PFA Corporate Services Sdn Bhd in 1999, he started his own business via Archer Corporate Services Sdn Bhd to provide corporate secretarial and corporate advisory services to public listed and private companies. He is currently the President cum Chief Executive Officer of Archer Corporate Services Sdn Bhd.

He currently sits on the board of Directors of Ablegroup Berhad, Tambun Indah Land Berhad, Lien Hoe Corporation Berhad and Axis REIT Managers Berhad, the manager of Axis-REIT which are public listed companies listed on the Main Market of Bursa Securities. He is also the director of several private companies, the details of which are set out in Section 8.2.3 of this Prospectus.

- ii. **Mohd Zaky bin Othman** (Male), a Malaysian aged 60, is our Independent Non-Executive Director. He was appointed to our Board on 1 August 2016. He graduated with Bachelor of Science Degree in Business Administration (Finance) from California State University Fresno, United States in 1984 and subsequently obtained a Master of Science in Finance (Corporate Finance) from Golden Gate University, San Francisco, United States in 1992.

He began his career as an Accounts Executive with The Contractors Network in San Francisco, the United States in 1985 until 1987. In 1988, he joined Core Mark International, a food distribution and logistics company in San Francisco, the United States as Finance Executive until 1989. In 1990 to 1992, he pursued his Master of Science in Finance (Corporate Finance) from Golden Gate University, San Francisco, United States. Upon his graduation in 1992, he joined Brobeck, Phleger & Harrison, a law firm in San Francisco, the United States as Pension Analyst where he was responsible for the firm's financial pension plan until 1993. He then joined Adams & Scott in San Francisco, the United States as Finance and Accounts Executive in 1993 until 1995.

In 1995, he returned to Malaysia and joined Keretapi Tanah Melayu Berhad ("KTMB") where he spent approximately 18 years before his retirement in 2013. During his tenure with KTMB, he served in various positions within the KTMB group of companies including Manager in Property department of KTMB (1995 to 2006), Senior Manager of KTMB Carpark Sdn Bhd (2006 to 2011) and General Manager of KTM Distribution Sdn Bhd (2011 to 2012) and subsequently Chief Executive Officer of KTM Distribution Sdn Bhd (2012) and Chief Financial Officer of KTMB (2012 to 2013).

He currently holds directorships in several private companies, the details of which are set out in Section 8.2.3 of the Prospectus.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- iii. **Fathi Ridzuan bin Ahmad Fauzi** (Male), a Malaysian aged 52, is our Independent Non-Executive Director. He was appointed to our Board on 1 August 2016. He graduated with a Bachelor of Science Degree in Accounting and Financial Analysis from University of Warwick, Coventry, United Kingdom in 1989.

He began his career as an Accounts Executive with Malaysian National Reinsurance Berhad in 1989 until 1990. In 1990, he joined American International Assurance Co. Ltd as Assistant Accountant. In 1991, he left and joined Kuala Lumpur Stock Exchange (now known as Bursa Securities) group and held several positions including Accountant with the Malaysian Central Depository Sdn Bhd ("MCD") (1991 to 1995), Senior Manager of Finance and Administration (1996 to 1997), Senior Vice President of Finance and Administration with the Malaysian Exchange for Securities Dealing and Automated Quotation Berhad (now known as ACE Market of Bursa Securities) (1997 to 1998), Senior Vice President of Finance and Administration in Securities Clearing Automated Network Services Sdn Bhd (1999 to 2001), General Manager of MCD (2002 to 2003), Head of Information Services Business with Bursa Securities (2003) and Head of Exchange Division with Bursa Securities (2004 to 2005).

In 2005, he left the Bursa Securities group and joined Esperanza Management Advisors Sdn Bhd, a company specialized in risk management services as part time consultant until 2007. In 2007, he joined VADS Berhad ("VADS"), a subsidiary of Telekom Malaysia Berhad ("TMB") as Chief Financial Officer and left VADS subsequent to the privatisation of VADS by TMB in 2009.

In 2009, he joined Maybank Investment Bank Berhad as Chief Operating Officer cum Chief Financial Officer where he was responsible for financial, administrative, legal, information technology, risk management and stockbroking operations. He left within the same year in 2009 and subsequently in 2010, he joined IX.Com Sdn Bhd, a company engaged in the business of consulting and training services for call centres as director where he holds the position until today.

From 2013 to 2014, he joined Prime Mantle Corporation plc, an investment holding company domiciled in the Republic of Ireland as Executive Director and Chief Financial Officer in the Republic of Ireland. In 2014, he joined ScopeTel Sdn Bhd, a company engaged in virtual small aperture terminal services to the oil and gas industry as Chief Operating Officer until 2015. In 2015, he re-joined Esperanza Management Advisors Sdn Bhd as its independent consultant which he holds the position until today. Presently, he is also the Managing Partner of FNW Capital Partners Sdn Bhd, a management consulting and venture capital management company since 2016.

He currently sits on the board of Directors of Jiankun International Berhad, a public listed company listed in the Main Market of Bursa Securities. He is a director of several private companies, the details of which are set out in Section 8.2.3 of the Prospectus.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.2.3 Directorships and business activities performed outside our Group**

Save as disclosed below, none of our Directors has any directorship or business activities performed outside our Group in Malaysia for the past five (5) years prior to the LPD:-

Directors	Company	Principal activities	Designation	Date of appointment	Date of resignation	Direct shareholding as at LPD (%)
Yeoh Chong Keat	Ablegroup Berhad	Engaged in the business of processing, trading, exporting and contract workmanship of high quality marble and granite slabs and property development	Chairman/ Independent Non-Executive Director	01.08.2011	-	0.3
	Tambun Indah Land Berhad	Engaged in the business of property development and project and construction management	Independent Non-Executive Director	23.11.2010	-	- ¹
	Axis REIT Managers Berhad	Engaged as the manager of Axis-REIT and is a licensed Islamic fund manager to manage a REIT. For the avoidance of doubt, Axis-REIT is an Islamic-listed business space and industrial REIT that invests primarily in office and industrial real estate	Non-Independent Non-Executive Director	01.03.2017	-	- ³
	Lien Hoe Corporation Berhad	Engaged in the business of property investment and property development	Chairman/ Independent Non-Executive Director	06.12.2001	-	-
	Archer Corporate Services Sdn Bhd	Engaged in the business of corporate secretarial services	Director	18.06.1999	-	100.0
	Archer Consulting Group Sdn Bhd	Engaged in the business of corporate advisory and consultancy services on business, commerce and industry specifically in the aspects of tax and accounting	Director	17.07.1999	-	100.0

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Directors	Company	Principal activities	Designation	Date of appointment	Date of resignation	Direct shareholding as at LPD (%)
	World Web Services (M) Sdn Bhd	Engaged in the business of marketing of computer and related services	Director	28.01.2000	-	1
	Sherwood Hathaway Sdn Bhd	Engaged in the business of equity investment	Alternate Director	15.10.1997	-	49.0
	Asda Industries Sdn Bhd	Dormant ² Previously engaged in the business of manufacturing and retailing of plastic products	-	-	-	2.7
	Mindels Sdn Bhd	Winding up Previously engaged in the business of equity investment	-	-	-	0.1
	Pin Centre Sdn Bhd	Winding up Previously engaged in the business of development of an electronic warehouse and its related mobile commerce application	-	-	-	0.9
	Cheetah Holdings Berhad	Engaged in the business of product designing, product development, marketing and retailing of sports apparel and accessories and casual wear, and all type of garments and apparels, clothing, footwear and accessories	Independent Non-Executive Director	17.10.2008	24.02.2017	-
	Jiankun International Berhad	Engaged in the business of property development and investment as well as the provision of cargo and travel related business services	Non-Independent Non-Executive Director	19.07.2010	27.02.2012	-

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Directors	Company	Principal activities	Designation	Date of appointment	Date of resignation	Direct shareholding as at LPD (%)
Dato' Phum	Maxwell Capital	Engaged in business of property development	Alternate Director	29.06.2011	-	13.0
	Chin Hin AVC Sdn Bhd	Engaged in the business of manufacturing of ready-mix and dry-mix concrete and mortars. The company has not commenced its business since its incorporation in 2016	Director	24.05.2016	-	50.0
	La Senses Beauty House Sdn Bhd	Engaged in the business of beauty salon	Director	01.10.2004	11.03.2015	-
	ASB (currently known as Prize Ventures Sdn Bhd)	Engaged in the business of general construction services and trading of quarry products	Director	12.01.1993	30.12.2014	-
	Supreme Revenue	Investment holding with sole investment in Dream Strider	Director	09.09.2010	30.12.2014	-
	Dream Strider	Engaged in the business of rental of properties	Director	12.06.1995	30.12.2014	-
	Advancecon Leisure Sdn Bhd	Dormant ² Previously engaged in the business of entertainment	Director	23.05.2012	30.12.2014	10.0
Lim Swee Chai	Maxwell Capital	Engaged in the business of property development	Director	29.06.2011	11.02.2015	13.0
	ASB (currently known as Prize Ventures Sdn Bhd)	Engaged in the business of general construction services and trading of quarry products	Director	12.01.1993	30.12.2014	-

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Directors	Company	Principal activities	Designation	Date of appointment	Date of resignation	Direct shareholding as at LPD (%)
	Supreme Revenue	Investment holding with sole investment in Dream Strider	Director	09.09.2010	30.12.2014	-
	Dream Strider	Engaged in the business of rental of properties	Director	12.06.1995	30.12.2014	-
	Advancecon Leisure Sdn Bhd	Dormant ² Previously engaged in the business of entertainment	Director	23.05.2012	30.12.2014	-
Ir. Yeo An Thai	GB Gerakbudaya Enterprise Sdn Bhd	Engaged in the business of publishers, importers, sellers, exporters, distributors, printers of all kinds of literary works and other printed matters.	Director	27.12.2004	-	14.0
	Anjakan Padu Sdn Bhd	Engaged in the business of general construction works	Director	20.08.2010	31.12.2012	-
	Advancecon Leisure Sdn Bhd	Dormant ² Previously engaged in the business of entertainment	Alternate Director	23.05.2012	30.12.2014	-
Mohd Zaky bin Othman	Yurfin Enterprise	Engaged in business of foods and beverages	Director	15.01.2015	-	50.0
	Pekembar Enterprise Sdn Bhd	Dormant Previously engaged in investment holding company	-	-	-	5.0
	Z Nest Sdn Bhd	Engaged in the business of bird nest farming and investment in property and plantations ²	Director	07.05.2008	-	90.0

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Directors	Company	Principal activities	Designation	Date of appointment	Date of resignation	Direct shareholding as at LPD (%)
	KTMB (Car Park) Sdn Bhd	Engaged in the business as operators of motor vehicle car parking facilities	Director	05.07.2012	14.03.2013	-
	Multimodal Freight Sdn Bhd	Engaged in the business of freight, haulage, warehousing and depot	Director	20.12.2012	14.03.2013	-
	Kiriman Express Sdn Bhd	Dormant Previously engaged in courier and parcel distribution business	Director	19.04.2010	17.10.2013	-
Fathi Ridzuan bin Ahmad Fauzi	Jiankun International Berhad	Engaged in the business of property development and investment as well as the provision of cargo and travel related business services	Independent Non-Executive Director	20.04.2012	-	-
	IX.com Sdn Bhd	Engaged in the business of consulting and training services for call centres	Director	20.12.2010	-	-
	Mindsolutions Sdn Bhd	Engaged in the business of providing consultancy services for ICT Solutions, computing applications and programming services, providing maintenance and service for computer and other electrical and electronic equipment and general merchant traders	Director	28.12.2010	-	10.0
	Kuasa Intek Sdn Bhd	Engaged in the business of trading and provision of supplies and services to various Government departments	Director	18.11.2016	23.01.2017	-

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Directors	Company	Principal activities	Designation	Date of appointment	Date of resignation	Direct shareholding as at LPD (%)
	FNW Capital Partners Sdn Bhd	Engaged in the business of providing management consultancy services, strategic planning for companies and managing venture funds ⁴	Director	28.11.2016	-	50.0
	Alloy Insurance Brokers Sdn Bhd	Engaged in the business of general and life insurance broking	Independent Non-Executive Director	04.01.2017	-	-

Notes:-

- ^{*1} Negligible
- ^{*2} The company in the process of striking off
- ^{*3} As at the LPD, Yeoh Chong Keat does not hold any equity interests in Axis REIT Managers Berhad. However, he holds a total of 18,991 units in Axis-REIT, representing approximately 0.002% of the 1,105,173,591 units in issue
- ^{*4} The company has submitted an application in December 2016 to the SC for its venture capital management operations, of which is currently pending approval of registration from the SC

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Our Non-Independent Executive Directors are not involved in the day-to-day operations of the abovementioned business activities or corporations outside our Group. Their involvements only extent to attend meetings and discharging their responsibility as directors of those companies and accordingly, their involvement in the companies do not affect their contributions to our Group or adversely impact their ability to act as our Non-Independent Executive Directors.

Notwithstanding the above, our Audit Committee will review any conflict of interest or potential conflict of interest situations whenever declared or brought to the attention of the Audit Committee and the Directors of our Company will disclose such conflicts of interest situations, if any, for resolution as and when they arise.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.2.4 Board practice****8.2.4.1 Directors' terms of office**

Our Board is entrusted with the responsibility for the overall direction, strategy, performance and management of our Group. The number of years that our Directors have served in office and the date of expiration of their respective term of office are set out as below:-

Directors	Age	Designation	Date of appointment	Date of expiration of the current term of office	No. of year(s) in office
Yeoh Chong Keat	59	Chairman/ Independent Non-Executive Director	1 August 2016	30 June 2017	Less than one (1)
Dato' Phum	59	Group Chief Executive Officer/ Non-Independent Executive Director	9 April 1997	30 June 2018	Approximately 20
Lim Swee Chai	61	Deputy Group Chief Executive Officer/ Non-Independent Executive Director	9 April 1997	30 June 2017	Approximately 20
Ir. Yeo An Thai	45	Chief Operating Officer/ Non-Independent Executive Director	1 August 2016	30 June 2017	Less than one (1)
Tung Kai Hung	54	General Manager of Contracts/ Non-Independent Executive Director	1 August 2016	30 June 2017	Less than one (1)
Mohd Zaky bin Othman	60	Independent Non-Executive Director	1 August 2016	30 June 2017	Less than one (1)
Fathi Ridzuan Ahmad Fauzi	52	Independent Non-Executive Director	1 August 2016	30 June 2017	Less than one (1)

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Pursuant to our Articles of Association, at the first annual general meeting of the Company, all the Directors shall retire from office and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1), shall retire from office and an election of Directors shall take place at each annual general meeting of the Company. Each Director shall retire once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting.

The Directors to retire in each year shall be those who have been longest in office since their last election or appointment but as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Directors shall have power at any time and from time to time, to appoint, subject to recommendation by the Nomination Committee and the approval by the Board, any person to be a Director, either to fill a casual vacancy or as an additional Director to the existing Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with these Articles of Association. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

8.2.4.2 Audit committee

The composition of our Audit Committee is set out below:-

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

The terms of reference of our Audit Committee, amongst others, include the following:-

- i. To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- ii. To review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- iii. To review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group which were declared and/ or brought to the attention of the Audit Committee;
- iv. To perform such other functions as may be requested by our Board;
- v. To review with the external and internal auditors their evaluations of the system of internal accounting controls, in particular with regard to the adequacy of the Group's internal control system;
- vi. To review the findings of internal investigations into matters within its terms of reference; and
- vii. To review on the policies implemented by the Company to ensure that the Company's risk are identified and evaluated and that controls in place are adequate and functioning properly to address the risks.

The recommendations of our Audit Committee are subject to the approval of our Board.

8.2.4.3 Remuneration committee

The composition of our Remuneration Committee is set out below:-

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

The terms of reference of our Remuneration Committee, amongst others, include the following:-

- i. To provide assistance to our Board in establishing the policy and framework for our Directors' remuneration and the remuneration of certain senior management personnel, including the setting of their key performance indicators;

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- ii. To ensure that our Group's remuneration and incentive policies, practices and key performance indicators are appropriately established and are aligned with our Group's vision, values and business objectives and market trends;
- iii. To provide assistance to our Board on matters relating to, amongst others, management grievances, compensation strategy, management development and other compensation arrangements;
- iv. To ensure corporate accountability and governance in respect of our Board remuneration and compensation; and
- v. To perform such other functions as may be requested by our Board.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

8.2.4.4 Nomination committee

The composition of our Nomination Committee is set out below:-

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

The terms of reference of our Nomination Committee, amongst others, include the following:-

- i. To assist our Board in the effective discharge of its responsibility to ensure that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties;
- ii. To ensure appropriate selection criteria and processes and to identify and recommend to our Board, candidates for directorships of our Company and members of the relevant Board committees;
- iii. To evaluate the effectiveness of our Board and the relevant Board committees; and
- iv. To ensure an appropriate framework and succession planning for our Board, including our Group Chief Executive Officer.

The recommendations of our Nomination Committee are subject to the approval of our Board.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.2.5 Directors' remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including contingent or deferred compensation accrued for the year) paid and proposed to be paid to our Directors for their services rendered in all capacities to our Group for the FYE 31 December 2016 and the financial year ending 31 December 2017 are set out below:-

Directors	<-----Remuneration Band----->	
	FYE 31 December 2016 RM'000	Proposed for FYE 31 December 2017 RM'000
Yeoh Chong Keat	0 - 50	101 - 150
Dato' Phum	1,101 - 1,150	1,201 - 1,250
Lim Swee Chai	951 - 1,000	1,001 - 1,050
Ir. Yeo An Thai	651 - 700	701 - 750
Tung Kai Hung	401 - 450	451 - 500
Mohd Zaky bin Othman	0 - 50	51 - 100
Fathi Ridzuan bin Ahmad Fauzi	0 - 50	51 - 100

The remuneration of our Directors which includes salaries, bonuses, fees and allowances as well as other benefits, must be considered and recommended by the Remuneration Committee and subsequently, be approved by our Board. Our Directors' fees must be further approved by our shareholders at a general meeting. Any change in Directors' fees as set out in our Articles of Association must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting and where appropriate, notice of any proposed increase should be given.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.3 Key management****8.3.1 Shareholdings of our key management**

The direct and indirect shareholdings of our key management personnel in our Company before and after our IPO are set out below:-

Name	Designation	Nationality	-----Before our IPO-----			-----After our IPO ¹ -----		
			Direct No. of Advancecon Shares	%	Indirect No. of Advancecon Shares	Direct No. of Advancecon Shares	%	Indirect No. of Advancecon Shares
Dato' Phum	Group Chief Executive Officer	Malaysian	106,763,750	34.1	-	95,563,750	23.7	-
Lim Swee Chai	Deputy Group Chief Executive Officer	Malaysian	57,488,250	18.3	-	51,488,250	12.7	-
Ir. Yeo An Thai	Chief Operating Officer	Malaysian	16,425,250	5.3	-	14,875,250	3.7	-
Tung Kai Hung	General Manager of Contracts	Malaysian	16,425,250	5.3	-	14,875,250	3.7	-
Teh Heng Wee	Chief Financial Officer	Malaysian	-	-	-	60,000	- ²	-
Lim Kok Tiong	General Manager of Project Management	Malaysian	16,425,250	5.3	-	14,789,250	3.7	-
Puah Kian Yiew	General Manager of Production and Operation	Malaysian	16,425,250	5.3	-	14,793,250	3.7	-

Notes:-

¹ The shareholdings shown in the table above included the pink form allocation amounting to 892,000 Shares under the Public Issue as set out in Section 3.7.1(ii) of this Prospectus

² Negligible

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.3.2 Profiles of our key management

Our key management is responsible for the day-to-day management and operations of our Group. As at the LPD, the members of our key management team are as follows:-

Key management personnel	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

Save for Teh Heng Wee, all other key management personnel namely, Dato' Phum, Lim Swee Chai, Ir. Yeo An Thai, Tung Kai Hung, Lim Kok Tiong and Puah Kian Yiew are also our Promoters and substantial shareholders. Please refer to Section 8.1.2 of this Prospectus for their profiles. The profile of Teh Heng Wee is set out below:-

- i. **Teh Heng Wee** (Male), a Malaysian aged 37, is our Chief Financial Officer. He is responsible for the overall financial management of our Group, which include our Group's funding requirements and managing all banking and financing matters, overseeing the Group's financial performance and cash flow management, financial reporting and ensuring our financial obligations to the relevant financial institutions and to the authorities are met. In addition, he is also responsible for our Group's monthly projection, budgeting, management reporting and risk management. He has approximately 15 years of working experience in finance related operations.

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

He began his career as an Accounts Assistant with Bina Goodyear Berhad in 2002 where he was responsible for financial reporting and accounting as well as corporate finance related matters. In 2009, he left Bina Goodyear Berhad as Finance Manager and joined Crest Builder Holding Berhad as a Risk Manager where he was responsible for corporate finance related matters until 2010.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

In 2010, he left Crest Builder Holding Berhad and joined Advancecon Group as Financial Controller where he was responsible for the Group's financial management, taxation, financial accounting and reporting and financing operations. He was subsequently promoted to Chief Financial Officer in 2015.

Teh Heng Wee has no family relationship with other Promoter, substantial shareholder, Director and key management of our Group.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)**8.3.3 Involvement of our key management in other businesses and corporations outside our Group**

As at the LPD, save as disclosed below and Section 8.2.3 of this Prospectus, none of our key management is involved in other businesses or corporations in Malaysia, save and except for the operations of our Group:-

Key Management	Company	Principal activities	Designation	Date of appointment	Date of resignation	Effective shareholding as at LPD (%)
Teh Heng Wee	Teh Thian Seong Sdn Bhd	Engaged in the business of property lettings and property development management	-	-	-	8.7
	Superfair Property Sdn Bhd (formerly known as Top Gear Accessories & Services Sdn Bhd)	Engaged in the business of motor vehicles workshop	Director	17.03.2003	20.06.2016	-
	VPartner Consultancy Sdn Bhd	Dormant The company has not commenced its business since its incorporation in 2007	Director	05.07.2013	17.12.2014	-

Teh Heng Wee spends his time substantially in the management and operations of our Group. His involvement in the above business does not affect his contribution to our Group as he is only the shareholder in his family business, namely Teh Thian Seong Sdn Bhd and he does not involve in the day-to-day management and operation of this company.

Notwithstanding the above, our Audit Committee will review any conflict of interest or potential conflict of interest situations whenever declared or brought to the attention of the Audit Committee and the Directors of our Company will disclose such conflicts of interest situations, if any, for any resolution as and when they arise.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.4 Declaration from our Promoters, Directors and key management

As at the LPD, none of our Promoters, Directors and key management is or has been involved in any of the following events (whether within or outside Malaysia):-

- i. a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- ii. disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- iii. charged and/ or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- iv. any judgment was entered against him involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- v. being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.5 Family relationships and associations

Save as disclosed below, there is no other family relationship and/ or association between our Promoters, substantial shareholders, Directors and key management as at the LPD:-

Name	Position/ Capacity	Relationship
Dato' Phum	Promoter, substantial shareholder, Director and key management	• Brother to Pham Soon Kok
Lim Swee Chai	Promoter, substantial shareholder, Director and key management	• Uncle to Lim Kok Tiong
Pham Soon Kok	Promoter and substantial shareholder	• Brother to Dato' Phum
Lim Kok Tiong	Promoter, substantial shareholder and key management	• Nephew of Lim Swee Chai

8.6 Benefits paid or intended to be paid

There are no other amounts or benefits paid or intended to be paid or given to our Promoters, substantial shareholders and/ or Directors within the two (2) years preceding the date of this Prospectus except for the following:-

- i. the remuneration and benefits payable to our Directors for services rendered in all capacities to our Group as set out in Section 8.2.5 of this Prospectus;
- ii. the dividend paid to our substantial shareholders in the FYE 31 December 2016; and

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

- iii. The allocation of the IPO Shares to our eligible Directors and Promoters which may be subscribed by them under our IPO as set out in Section 3.7.1 (ii) of this Prospectus.

8.7 Service Agreements

As at the LPD, none of our Directors and key management have any existing or proposed service agreement with our Group, save for the standard employment contracts containing normal terms of employment.

8.8 Change in Operations

As at the LPD, there is no arrangement made in the operations of Advancecon Group which may result in a change in control of the Group.

8.9 Employees

8.9.1 Number of employees

The following table sets out the breakdown of our employees by categories for the past three (3) financial years and as at the LPD:-

	<-----No. of employees----->			
	<-----As at 31 December----->			As at the
	2014	2015	2016	LPD
Directors	2	2	4 ^{*1}	4 ^{*1}
General Managers	2	7	5	5
Senior Managers	4	4	7	8
Managers	28	34	35	40
Professional/ Executives	36	71	89	104
Supervisors	16	27	35	35
Clerical/ Non-executives	4	13	10	12
General workers	113	151	233	282
Total workforce	205	309	418	490

Note:

*1 excluding our three (3) independent non-executive Directors

As at the LPD, our Group has a total workforce of 490 employees, including 57 contractual employees. Malaysians accounted for approximately 79.6% of our total employees while approximately 20.4% are foreign nationals. All of our foreign employees have valid working permits and there has been no breach by our Group of any immigration laws.

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

The increasing trend in the total number of our employees for the past three (3) financial years under review was mainly contributed by the increase in the recruitment especially in Project Management department, Production and Operation department and Contracts department which was in accordance with the growth of business activities of our Group.

None of our employees, whether permanent or contractual, belong to any trade unions or have any labour relationship with any union, and there have been no industrial disputes since we commenced our operations.

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8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.9.2 Training and development programmes

We are committed to employee development and regularly invest in programmes that promote employee advancement to meet our business needs whilst enhancing the qualifications of our employees to increase our competitiveness and our knowledge as we grow. We recognise the importance of human resource as a central element of any successful organisation and aim to build an experienced, capable and dynamic team.

Furthermore, we emphasize on the prospects for career development among our employees and structured career path to provide clarity to our employees. In line with this, we conduct external training and on-the-job training programmes for our employees aimed at improving skills and technical knowledge. We believe that this will effectively facilitate company growth through improvement on the quality of service delivered as well as the increase in workforce.

The list of training and development programmes attended by our employees for the past three (3) financial years up to the FYE 31 December 2016 is set out below:-

Month/ Year	Training and Development Programmes undertaken	Organiser	Purpose
<u>FYE 2016</u>			
January	<ul style="list-style-type: none"> ISO 9001: 2008 Awareness 	DO GREAT Sdn Bhd	To increase the awareness and knowledge of the significance of ISO 9001:2008
February	<ul style="list-style-type: none"> Interactive Incident Investigation 	Asia Executive Training Centre	To gain understanding and the application of incident investigation
March	<ul style="list-style-type: none"> Traffic Management Officer 	Akademi Binaan Malaysia	To increase safety awareness among the employees
June	<ul style="list-style-type: none"> ISO 9001: 2008 Awareness 	DO GREAT Sdn Bhd	To increase the awareness and knowledge of the significance of ISO 9001:2008
August	<ul style="list-style-type: none"> 19th Conference and Exhibition on Occupational Safety & Health (NIOSH) (COSH) 	National Institute of Occupational Safety and Health (NIOSH)	An enhanced platform for occupational safety and health professionals in Malaysia to share and update their occupational safety and health knowledge and skills to meet the dynamic changes in the Malaysian's working environments

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Month/ Year	Training and Development Programmes undertaken	Organiser	Purpose
September	<ul style="list-style-type: none"> CIDB Green Card Program 	CIDB Malaysia	An integrated safety and health training program for all construction workers and personnel, which involves the registration and accreditation of construction personnel to enhance safety levels at construction sites
	<ul style="list-style-type: none"> One day international conference on avoiding and resolving construction dispute 	The Chartered Institute of Building	To focus on meeting new challenges and reducing risks in construction activities by avoiding and resolving construction disputes, through effective project and construction management, safety and welfare, defects management, alternative dispute resolution, improvements in standard form of contract (PAM 2016) and use of new legislation (recent CIPAA 2012) to benefit the construction industry
October	<ul style="list-style-type: none"> Transfer Pricing in Malaysia GST Recent Development and Latest Updates Preparing for the Structural Shift in the Company Law 	MIA	To provide an understanding of Inland Revenue Board's new Section 140A and how it impacts the company
			To provide updates and revisions on the GST guidelines
November	<ul style="list-style-type: none"> Budget seminar 2017 - Tax Implication on Budget 2017 with GST Coverage 	CPA Australia ACCA Malaysia	To recognise the impact of the new companies' bill and to examine the latest development and how company can be prepared for it
			To address the tax implications and to provide the possible business solutions arising from the various amendments. Also, ring fence measurement to mitigate both the finance and tax risk

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Month/ Year	Training and Development Programmes undertaken	Organiser	Purpose
December	<ul style="list-style-type: none"> CIDB Green Card Program 	CIDB Malaysia	An integrated safety and health training program for all construction workers and personnel, which involves the registration and accreditation of construction personnel to enhance safety levels at construction sites
<u>FYE 2015</u>			
April	<ul style="list-style-type: none"> ISO 9001:2015 	DO GREAT Sdn Bhd	To understand the updated ISO 9001:2015 amendment
May	<ul style="list-style-type: none"> Explosive Technology For Tunnelling and Underground Space 	The Institution of Engineers, Malaysia	To improve on the explosive application for construction works
June	<ul style="list-style-type: none"> Building Automation System (BAS) 	Malaysia Green Building Confederation (MGBC)	To learn BAS so to transform a High-Performance Building
August	<ul style="list-style-type: none"> Construction Industry Payment and Adjudication Act 2012 (CIPAA) 	Master Builders Association Malaysia (MBAM)	To understand the application and implications of CIPAA
September	<ul style="list-style-type: none"> Road Safety Audit 	The Institute of Engineers	To enhance the knowledge and awareness of Road Safety Audit
October	<ul style="list-style-type: none"> ISO 9001:2015 Awareness 	DO GREAT Sdn Bhd	To increase the ISO 9001:2015 knowledge and awareness
November	<ul style="list-style-type: none"> OHSAS 18001:2007 & MS 1722:2011 Occupational Safety and Health Management System Standard 	Tri-EQSH Management Consultants (M) Sdn Bhd	To enhance the knowledge of OHSAS 18001:2007 Standard
	<ul style="list-style-type: none"> Machineries Management Construction For Industry 	CIDB Holdings	To equip the knowledge of Machineries Management

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

Month/ Year	Training and Development Programmes undertaken	Organiser	Purpose
December	<ul style="list-style-type: none"> Hazard Identification Risk Assessment and Controls (HIRAC) 	Tri-EQSH Management Consultants (M) Sdn Bhd	To identify hazards and assess the risk associated with those hazards
<u>FYE 2014</u>			
September	<ul style="list-style-type: none"> Safety and Health 	Advanced Information & Management Centre	To gain understanding on safety & health issues among employees
November	<ul style="list-style-type: none"> ISO 9001:2008 	Novo Quality Services (M) Sdn Bhd	To increase knowledge and awareness of ISO 9001:2008

We have also identified the following training and development programmes for our employees to attend in the year 2017:-

Training and Development Programmes undertaken	Organiser	Purpose
CIDB Green Card Program	CIDB Malaysia	An integrated safety and health training program for all construction workers and personnel to enhance the safety level and awareness at the construction sites
Latihan Hands-on Electronic Scheduled Waste Information System (eSWIS)	Department of Environment, Malaysia	To gain exposure and provide better guidance of the application of eSWIS System in Selangor for the industry players

8. INFORMATION ON THE PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT (CONT'D)

8.9.3 Management succession plan

Our Directors and key management team recognise the importance of management succession planning to ensure business continuity. This was shown by the equity participations of our key employees in the shareholdings structure of our Group in 2010 through the reorganisation exercise, whereby Dato' Phum and Lim Swee Chai have extended such invitation to them with the objective of ensuring the sustainability of our Group as well as to retain these key employees within our Group for the continuous growth and expansion of our Group moving forward.

Our Group also strives to increase the competency level of our employees in order to maintain our competitiveness in the local construction industry. As such, our Group practices management empowerment, whereby department managers are encouraged to make decisions within their span of control and are responsible for the management and operations of the assigned duties so as to be in line with the overall business strategy of our Group. In addition, our Group also promotes knowledge sharing among departments so as to enhance the knowledge and expertise of our employees in the overall operations of our Group. This would allow our key management team to focus on the corporate strategic development plans at the macro level to further elevate the business for growth and success.

Our middle management are exposed to various operations of our Group and actively participate in decision making discussions, which serve as the path for learning and equipping themselves with knowledge and expertise. This serves as a career development opportunity for them to succeed to a senior management position.

Our key management team has been putting emphasis on training and development program as outlined in Section 8.9.2 of this Prospectus for all our employees and constantly identifying the key competencies and requirements for our managers and key seniors positions for succession planning. The job requirements are developed and matched with the candidates' profiles in order to be in line with the overall business goals and strategies of our Group.

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9. APPROVALS AND CONDITIONS

9.1 Approvals and conditions

9.1.1 SC

The SC had, via its letter dated 28 June 2016, granted its approval for the relief application sought by RHBIB on behalf of us, from complying with the paragraph set out in the Prospectus Guidelines:-

Relief sought	SC's decision and conditions	Status of compliance
<p>Relief from complying with Paragraph 12.04, Division 1, Part I of Prospectus Guidelines – Equity</p> <p><i>“The date of prospectus issuance must not be later than six months after the end of the most recent financial year. If the date of the prospectus issuance is later than six months after the end of the most recent financial year, audited interim financial report must be provided and the selected financial information must be disclosed.”</i></p>	<p>Approved, subject to the following conditions:-</p> <p>(i) Submission of the prospectus for public exposure should not exceed nine (9) months from the date of the most recent financial year for which audited financial statements have been prepared;</p> <p>(ii) A copy of the unaudited interim financial statements as well as Management's Discussion and Analysis on the said statements should be separately provided at the submission stage for SC's information only;</p> <p>(iii) The audited interim financial statements and the updated prospectus should be submitted to the SC at the latest two (2) weeks prior to the confirmation of registration of the said prospectus; and</p> <p>(iv) Material deviations, if any, between the unaudited interim financial statements and the audited interim financial statements should be highlighted and clarified to the SC, upon the submission of the required information under paragraph (iii) above.</p>	<p>Complied.</p> <p>Complied.</p> <p>Complied.</p> <p>Complied.</p>

9. APPROVALS AND CONDITIONS (CONT'D)

The SC had, via its letters dated 24 November 2016 and 15 February 2017 approved our IPO under Section 214(1) of the CMSA and the resultant equity structure for Advancecon under the equity requirement for public companies. The conditions imposed by the SC and the status of compliance are set out below:-

Conditions	Status of compliance
RHBIB and Advancecon to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Proposed Listing	To be complied.

The SC had, vide its letter dated 24 November 2016, noted the effects of the IPO on the equity structure of Advancecon as follows:-

	Before the Proposed Listing (As at 1 August 2016)		<-----Pro forma -----> After the Proposed Public Issue and the Proposed Offer for Sale	
	No. of shares	%	No. of shares	%
MALAYSIAN				
Bumiputera				
Individuals	-	-	} 66,000,000	} 16.4
Corporate	-	-		
Nominee Companies	-	-		
Total Bumiputera	-	-	66,000,000	16.4
Non-Bumiputera				
Individuals	312,079,000	100.0	336,079,000	83.6
Corporate	-	-	-	-
Nominee Companies	-	-	-	-
Total Non-Bumiputera	312,079,000	100.0	336,079,000	83.6
Foreigners	-	-	-	-
TOTAL	312,079,000	100.0	402,079,000	100.0

The SC had, via its letter dated 5 June 2017, granted its approval for the extension of time application sought by RHBIB on behalf of us, for an additional two (2) months up to 23 July 2017 for the completion of our Listing.

9.1.2 SAC

The Shariah Advisory Council of the SC had, vide its letter dated 28 February 2017, classified our Shares as Shariah-compliant securities based on the latest audited consolidated financial statement of Advancecon Group for the FYE 31 December 2015.

9. APPROVALS AND CONDITIONS (CONT'D)

9.1.3 Bursa Securities

Bursa Securities had, vide its letter dated 20 January 2017, approved our admission to the Official List and the listing of and quotation for our entire issued share capital on the Main Market of Bursa Securities. The conditions imposed by Bursa Securities and the status of compliance are set out below:-

Conditions	Status of compliance
(i) make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Main Market Listing Requirements. In this respect, Advancecon is advised to include the Stock Code, Stock Short Name and ISIN Code upon making the announcement on timetable for IPO;	To be complied.
(ii) To furnish the Exchange a copy of the schedule of distribution showing compliance to the unit spread requirements based on the entire enlarged issued and paid-up share capital of Advancecon on the first day of listing; and	To be complied.
(iii) Payment of outstanding initial and annual listing fees to be calculated based on the final issue price of the Shares, if any. In this respect, Advancecon is required to furnish Bursa Securities a cheque drawn to the order of Bursa Malaysia Securities Berhad for the initial and annual listing fees together with a copy of the details of the computation of the amount of listing fees payable.	To be complied.

9.1.4 MITI

The MITI had, vide its letter dated 13 October 2016, taken note of and has no objection to our Listing on the Main Market of Bursa Securities.

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9. APPROVALS AND CONDITIONS (CONT'D)**9.2 Moratorium on our Shares**

Pursuant to Paragraph 5.29 of Equity Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings for a period of six (6) months from our date of admission to the Official List.

The shareholdings*¹ of our Promoters, which will be subject to moratorium, are set out below:-

Promoters	Number of Shares held after the IPO	Percentage of share capital %
Dato' Phum	95,563,750	23.7
Lim Swee Chai	51,488,250	12.7
Pham Soon Kok	29,350,250	7.3
Ir. Yeo An Thai	14,875,250	3.7
Tung Kai Hung	14,875,250	3.7
Lim Kok Tiong	14,789,250	3.7
Puah Kian Yiew	14,793,250	3.7
Lam Wing King	14,789,250	3.7
Chan Keng Kong	14,769,250	3.7
Yap Goon Ying	14,777,250	3.7

Note:-

*¹ The shareholdings shown in the table above included the pink form allocation under the Public Issue as set out in Section 3.7.1 (ii) of this Prospectus

The moratorium is specifically endorsed on the share certificates representing our Promoters' respective shareholding which are under moratorium to ensure that our Company's share registrar does not register any transfer not in compliance with the moratorium restrictions.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST**10.1 Related party transactions and conflict of interest**

Save as disclosed below, there are no other related party transactions, existing or proposed, entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors and major shareholders, and/ or persons connected with them for the past three (3) financial years up to the FYE 31 December 2016:-

10.1.1 Recurrent related party transactions**Transaction between Advancecon Group and Dato' Phum**

Related parties/ nature relationship	Nature of transaction	Transaction value			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
Related party:- <ul style="list-style-type: none"> Dato' Phum Dato' Phum is a Promoter, Director and shareholder of Advancecon.	Rental of Advancecon headquarters located at No. 18 Jalan Pekaka 8/3, Seksyen 8, Kota Damansara, 47810 Petaling Jaya ("Advancecon Headquarters") by Dato' Phum to Advancecon	66	66	66	<p>We currently rent one (1) unit of shop office from Dato' Phum as part of our headquarters.</p> <p>From the FYE 31 December 2014 to FYE 31 December 2016, our annual rental paid for the Advancecon Headquarters was RM66,000. Based on the letter dated 22 July 2016 prepared by Property Inns Realty, a real estate agent engaged by our Company, the annual rental was consistent with the market rental rate of comparable shop offices located within the vicinity of our shop office.</p> <p>We intend to continue our tenancy moving forward for the shop office as long as the rental charged by Dato' Phum remain within the market rate and subject to the terms of the tenancy agreement being fair and reasonable. We have entered into tenancy agreement for the occupation of the shop office from 1 August 2016 onwards. The tenancy agreement carries a three (3)-year tenancy period at a fixed rental sum per month, together with an option for renewal for another three (3) years.</p> <p>The Company will also, prior to the end of every tenancy period, appoint a real estate agent to evaluate and ensure that the rental rates is consistent with the market rental rate of comparable shop offices located within the vicinity of our shop office. The opinion letter from the real estate agent will then be furnished to the Audit Committee for review and approval, prior to every renewal of the tenancy agreement.</p>

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Transaction between Advancecon Group and Excelgenic

Related parties/ nature relationship	Nature of transaction	Transaction value			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
<p>Related parties:-</p> <ul style="list-style-type: none"> Dato' Phum Pham Soon Kok <p>Dato' Phum being the Promoter, Director and major shareholder of Advancecon was a major shareholder in Excelgenic. He is the brother to Pham Soon Kok.</p> <p>Pham Soon Kok being the Promoter and major shareholder of Advancecon is a Director and major shareholder of Excelgenic. He is the brother to Dato' Phum.</p>	<p>Transaction between Advancecon and Excelgenic:-</p> <p>(i) Provision of construction services by Excelgenic</p> <p>Note:-</p> <p>¹ There was no transaction recorded during the FYE 31 December 2015, save for the reversal of subcontractor fee payable to Excelgenic amounting to approximately RM84,692 as a result of overprovision of the subcontractor fee for the Bandar Sultan Suleiman project at Klang, Selangor</p> <p>Transaction between Advancecon and Excelgenic:-</p> <p>(i) Provision of construction services by Excelgenic</p>	755	*,1	-	<p>For information purposes, Dato' Phum and Pham Soon Kok had each in the past held 15.0% direct equity interest Excelgenic. However, Dato' Phum had subsequently disposed of his entire shareholdings in Excelgenic to Thia Foong Weng and ceased to be a shareholder of Excelgenic as at 31 December 2014. For the avoidance of doubt, Thia Foong Weng is currently the son in law to Dato' Phum. Subsequently on 1 August 2016, Thia Foong Weng disposed his entire equity interest in Excelgenic to Pham Boon Yau, who is the nephew of Dato' Phum. Pham Boon Yau is currently the shareholder of Excelgenic. Pham Soon Kok remained as the director of Excelgenic and currently holds 15.0% of equity interest in Excelgenic. Furthermore, our Group had ceased business dealings with Excelgenic entirely as at 19 March 2015.</p> <p>The aforementioned divestment of interest by Dato' Phum was in accordance with Dato' Phum's intention to remain focus on his involvement in Advancecon Group's overall business development, whilst Excelgenic will be overseen by his brothers and business associates.</p> <p>Currently, Pham Soon Kok is a major shareholder of our Company and he does not hold any executive position in our Group. Pham Soon Kok's involvement in Excelgenic is limited to the extent of attending board meetings, in which he serves and discharges his principal role and duty as a director. As such, Pham Soon Kok is not involved in the management (such as business development matters and tendering process) as well as operational matters (such as project execution) of both, our Group and Excelgenic.</p>
		81 ²	- ³	-	

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Related parties/ nature relationship	Nature of transaction	Transaction value			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
	Notes:- ² Excluding the reversal of subcontractor fee payable to Excelgenic amounting to approximately RM150,331 as a result of overprovision of the subcontractor fee for the Bandar Setia Alam project at Shah Alam, Selangor ³ There was no transaction recorded during the FYE 31 December 2015, save for the reversal of subcontractor fee payable to Excelgenic amounting to RM44,289 as a result of overprovision of the subcontractor fee for the Bandar Setia Alam project at Shah Alam, Selangor				<p>In the past, we had engaged Excelgenic as our subcontractor to carry out civil engineering services such as construction and installation of precast concrete drain or cast in-situ drains within site boundary as well as installation of sewer pipelines for our Group up to the FYE 31 December 2014. This is in line with the fact that some of our projects require the provision of specialised civil engineering services which are not our major strength and core business to carry out in-house, therefore, these services will generally be subcontracted to external parties.</p> <p>We had also in the past, sold construction materials which we purchased from our local suppliers such as red earth, granite rock, quarry aggregates, crusher run and other quarry products to Excelgenic to carry out its own construction activities.</p> <p>Our last completed project which we engaged Excelgenic as our subcontractor was the construction of silt trap and slope drainage works for the Bandar Setia Alam project at Shah Alam, Selangor. Subsequent to the completion of the project stated above on March 2014, we have ceased engaging Excelgenic as our subcontractor.</p> <p>As set out above, our Group had ceased business dealings with Excelgenic entirely as at 19 March 2015. We have further taken the necessary steps to mitigate the potential conflict of interest situation by providing a letter of irrevocable undertaking dated 9 September 2016 to undertake that Advancecon Group will not in any way enter into any contracts, arrangement, undertakings that may give rise to a potential conflict of interest whether directly or indirectly with Excelgenic.</p>

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Related parties/ nature of relationship	Nature of transaction	Transaction value FYE 31 December			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
	Transaction between Inspirasi Hebat and Excelgenic:-				
	(i) Sale of quarry aggregate to Excelgenic	59	20	-	
	(ii) Sale of block stone to Excelgenic	36	3	-	
	(iii) Sale of crusher run to Excelgenic	257	-	-	
	(iv) Sale of quarry dust and quarry waste to Excelgenic	145	145	-	

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Transaction between Advancecon Group and ASB

Related parties/ nature relationship	Nature of transaction	Transaction value			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
<p>Related parties:-</p> <ul style="list-style-type: none"> • Dato' Phum • Lim Swee Chai • Pham Soon Kok • Yap Goon Ying <p>Dato' Phum and Lim Swee Chai being the Promoters, Directors and major shareholders of Advancecon were the Directors and major shareholders of ASB.</p> <p>Pham Soon Kok and Yap Goon Ying being the Promoters and major shareholders of Advancecon were the major shareholders of ASB.</p>	<p>Transaction between Advancecon and ASB:-</p> <p>(i) Provision of construction services to ASB</p> <p>Transaction between Advancecon Infra and ASB:-</p> <p>(i) Provision of construction services to ASB</p> <p>(ii) Fee paid to ASB for supply of labour</p> <p>Transaction between Advancecon Rock and ASB:-</p> <p>(i) Provision of construction services to ASB</p>	1,312	-	-	<p>For information purposes, Dato' Phum and Lim Swee Chai had in the past held 25.0% and 30.0% direct equity interest in ASB, respectively. However, both of them had resigned as directors of ASB and ceased to be shareholders of ASB as at 31 December 2014. In addition, Pham Soon Kok and Yap Goon Ying had in the past individually held 10.0% direct equity interest in ASB but they had ceased to be shareholders of ASB as at 31 December 2014.</p> <p>As highlighted in Section 5.1.1 of this Prospectus, both Dato' Phum and Lim Swee Chai co-founded ASB in 1993 as a stepping stone in pursuing their business career in the construction industry to undertake construction projects specialising in civil engineering segment. Subsequently in 2010, our Group undertook an internal reorganisation exercise to further streamline the shareholdings of our substantial shareholders in our Group which resulted in Advancecon becoming the holding company of our Group and ASB had since ceased to be a member of our Group whereby all the equity interest held by ASB in our Group was sold to our current substantial shareholders.</p> <p>Notwithstanding the above, we continued our working relationship as a subcontractor to ASB subsequent to the internal reorganisation exercise to undertake certain on-going construction projects during then such as earthworks and drainage works which were mainly tendered by ASB and subcontracted to Advancecon and Advancecon Infra to carry out the projects prior to the reorganisation exercise. From the FYE 31 December 2011 to the FYE 31 December 2014, our subcontractor works rendered to ASB had gradually reduced as the projects subcontracted by ASB to our Group had been progressively completed and we were able to secure new projects directly from our clients throughout the said financial years.</p>

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Related parties/ nature relationship	Nature of transaction	Transaction value			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
					<p>As at 31 December 2014, there were only two (2) outstanding projects between ASB and Advancecon Group, namely the 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 ("Block 17, Cyberjaya Flagship Zone project") and the earthworks for the mixed development at Block 7, Cyber 1 of the Setia Eco Glades project at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor ("Setia Eco Glades project"). For the avoidance of doubt, the Block 17, Cyberjaya Flagship Zone project was subsequently completed on March 2015. As at the LPD, ASB only has one (1) on-going project with our Group, namely the Setia Eco Glades project which the expected completion date of the said project will be August 2017.</p> <p>To further streamline the shareholdings of Dato' Phum, Lim Swee Chai, Pham Soon Kok and Yap Goon Ying ("Vendors of ASB") in our Group and in line with good corporate governance to avoid any form of conflict of interest situations, the Vendors of ASB had on 31 December 2014 disposed of their respective equity interests in ASB to the purchasers and/ or remaining shareholders of ASB, namely Phum Oua, Phum Son Kwa, Wong Chee Heong and Yap Goon Foong ("Shareholders of ASB"). The aforementioned divestment of interest by the Vendors of ASB was also in accordance with their intention pursuant to the internal reorganisation exercise in 2010 to remain focus on Advancecon Group's business operations in earthworks and civil engineering services, whilst ASB will be overseen by the Shareholders of ASB who are not in any manner involved in the business operations of Advancecon Group. For the avoidance of doubt, Phum Oua and Phum Son Kwa are the brothers of Dato' Phum and Pham Soon Kok, Wong Chee Heong is the nephew of Lim Swee Chai whilst Yap Goon Foong is the brother of Yap Goon Ying.</p>

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Related parties/ nature relationship	Nature of transaction	Transaction value				Remarks
		2014	2015	2016		
		RM'000	RM'000	RM'000		
						<p>In consideration of the sale of shares between the Vendors of ASB and the Shareholders of ASB, the Shareholders of ASB had pursuant to a letter of undertaking dated 31 December 2014 irrevocably and unconditionally undertake, represent, warrant and confirm the following:-</p> <p>(a) ASB is currently carrying out earthworks for the Block 17, Cyberjaya Flagship Zone project and Setia Eco Glades project;</p> <p>(b) They will cause the change of name of ASB within two (2) years from the date of the letter of undertaking;</p> <p>(c) They undertake in their personal capacity and by ASB not to engage, participate, compete (whether directly or indirectly) with Advancecon Group in similar business activities of Advancecon Group for a period of eight (8) years;</p> <p>(d) They will ensure that ASB or themselves not to bid, tender or enter into any business transaction with Advancecon Group and ASB shall not enter into similar business arrangement with any third party which will be in direct competition with the principal activities of Advancecon Group; and</p> <p>(e) They will not incorporate a new company for the purposes of entering into any projects or carry out activities which are of similar business with Advancecon Group.</p> <p>ASB had subsequently changed its name to Prize Ventures Sdn Bhd on 7 September 2016 and for the avoidance of doubt, the aforesaid conditions were not applicable to the Block 17, Cyberjaya Flagship Zone project and the Setia Eco Glades project as both projects were secured prior to the disposal by the Vendors of ASB of their entire equity interest in ASB to the Shareholders of ASB. In addition, the Block 17, Cyberjaya Flagship Zone project was subsequently completed on March 2015. As at the LPD, ASB only has one (1) on-going project with our Group, namely the Setia Eco Glades project which the expected completion date of the said project is August 2017.</p>

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Transaction between Advancecon Group and Dream Strider

Related parties/ nature relationship of	Nature of transaction	Transaction value			Remarks
		2014 RM'000	2015 RM'000	2016 RM'000	
<p>Related parties:-</p> <ul style="list-style-type: none"> Dato' Phum Lim Swee Chai Pham Soon Kok Yap Goon Ying <p>Dato' Phum and Lim Swee Chai being the Promoters, Directors and major shareholders of Advancecon were the Directors of Dream Strider, which is the wholly-owned subsidiary of Supreme Revenue. Dato' Phum and Lim Swee Chai were also the Directors and major shareholders of Supreme Revenue.</p> <p>Pham Soon Kok and Yap Goon Ying being the Promoters and major shareholders of Advancecon were the major shareholders of Supreme Revenue.</p>	<p>Rental of workshop located at Grant No. 17688, Lot No. 3896, Mukim Bukit Raja, Klang ("Dream Strider Workshop") by Dream Strider to Advancecon</p>	344	-	-	<p>For information purposes, Dato' Phum and Lim Swee Chai had in the past held 25.0% and 30.0% indirect equity interest in Dream Strider via Supreme Revenue, which is the holding company of Dream Strider. Subsequently, both of them had resigned as directors and ceased to be the shareholders of Supreme Revenue and Dream Strider on 30 December 2014. In addition, Pham Soon Kok and Yap Goon Ying had in the past individually held 10.0% indirect equity interest in Dream Strider via Supreme Revenue but they had ceased to be shareholders of both Supreme Revenue and Dream Strider as at 31 December 2014. As at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in Supreme Revenue and Dream Strider.</p> <p>In the past, we rented the Dream Strider Workshop located at Klang, Selangor for the storage of our machinery and equipment as well as to carry out all forms of repairs and service on most of our construction equipment and machinery. From the FYE 31 December 2014, our annual rental paid for the Dream Strider Workshop was RM344,000.</p> <p>However, we ceased renting the Dream Strider Workshop from 31 December 2014 onwards as our Group intends to construct our in-house workshop which is customised to our own requirements for long term usage. Whilst pending the construction of our new workshop which will be partially funded using our proceeds from the Public Issue, we have temporary rented a workshop in Semenyih which is located nearer to several of our on-going construction sites in the Hulu Langat District and with a rental cost of RM84,000 per annum. Please refer to Section 3.12(i)(b) of this Prospectus for further details on our in-house workshop.</p>

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

10.1.2 Non-recurrent related party transactions

There are no existing or proposed material non-recurrent related party transactions for the past three (3) financial years up to the FYE 31 December 2016 entered into or to be entered into by us which rights and obligations are subsisting and/ or proposed as at the date of this Prospectus.

Our Directors are of the opinion that all the transactions in Section 10.1.1 were carried out on an arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not to the detriment to our minority shareholders.

In addition, to safeguard the interest of our Group and our minority shareholder, and to mitigate any potential conflict of interest situation, our Audit Committee will, amongst others, review the terms of all related party transactions whenever declared or brought to the attention of the Audit Committee (if any), and report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors, major shareholders and/ or persons connected with a Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of his direct and/ or indirect shareholdings. Such interested Director and/ or major shareholder will also undertake to ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.2 Transactions that are unusual in their nature or conditions

Our Directors have confirmed that there are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Company and/ or any of our Subsidiaries was a party for the past three (3) financial years up to the FYE 31 December 2016.

10.3 Outstanding loans (including guarantees of any kind)

Our Directors have confirmed that there are no outstanding loans (including guarantees of any kind) that have been granted by our Company and/ or any of our Subsidiaries to or for the benefits of the related parties for the past three (3) financial years up to the FYE 31 December 2016.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)**10.4 Interest in similar businesses and in businesses of our customers or suppliers**

Save as disclosed below, as at the LPD, none of our Directors or substantial shareholders has any interest, direct or indirect, in the following:-

- i. Any other businesses and corporations carrying on a similar trade as our Group; and
- ii. Any other businesses and corporations which are the customers or suppliers of our Group.

Director/ substantial shareholder	Company	Principal activities	Designation	Held as at the LPD	
				No. of shares	No. of % shares
Yeoh Chong Keat	Lien Hoe Corporation Berhad	Engaged in the business of property investment and property development	Chairman/ Independent Non-Executive Director	-	-
	Tambun Indah Land Berhad	Engaged in the business of property development and project and construction management	Independent Non-Executive Director	300,000	- ²
	Ablegroup Berhad	Engaged in the business of processing, trading, exporting and contract workmanship of high quality marble and granite slabs and property development ¹	Chairman/ Independent Non-Executive Director	900,000	0.3
	Axis REIT Managers Berhad	Engaged as the manager of Axis-REIT and is a licensed Islamic fund manager to manage a REIT. For the avoidance of doubt, Axis-REIT is an Islamic-listed business space and industrial REIT that invests primarily in office and industrial real estate	Non-Independent Non-Executive Director	- ³	- ³
Dato' Phum	Maxwell Capital	Engaged in business of property development	Alternate Director	32,500	13.0
Lim Swee Chai	Maxwell Capital	Engaged in business of property development	-	32,500	13.0
Pham Soon Kok	Excelgenic	Engaged in the business of civil engineering and construction works	Director	300,030	15.0

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Director/ substantial shareholder	Company	Principal activities	Held as at the LPD	
			Direct	Indirect
			No. of shares	No. of % shares
Fathi Ridzuan bin Ahmad Fauzi	Jiankun Berhad	Engaged in the business of property development and investment as well as the provision of cargo and travel related business services	-	-
	International Berhad	Independent Non-Executive Director	-	-

Notes:-

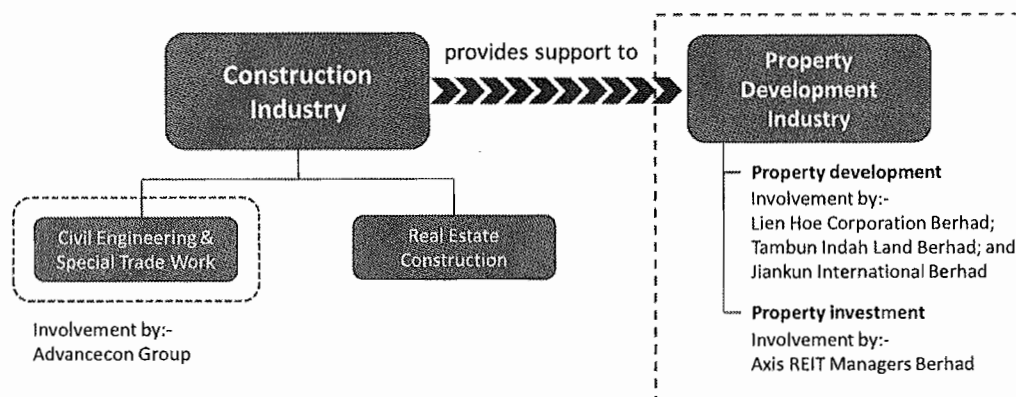
- *1 For the avoidance of doubt, Ablegroup Berhad had, via an extraordinary general meeting held on 22 June 2012, obtained the shareholders' approval for diversification of its business into property development and property investment as a new core business. Notwithstanding the foregoing and based on the audited financial statements of Ablegroup Berhad for the past two (2) financial years up to the FYE 31 December 2016, the property development segment of Ablegroup Berhad has not generated any revenue during the said financial years
- *2 Negligible
- *3 As at the LPD, Yeoh Chong Keat does not hold any equity interests in Axis REIT Managers Berhad. However, he holds a total of 18,991 units in Axis-REIT, representing approximately 0.002% of the 1,105,173,591 units in issue. For information purposes, Axis-REIT is listed on the Main Market of Bursa Securities whereas Axis REIT Managers Berhad is the manager of Axis-REIT

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Interest in Lien Hoe Corporation Berhad, Tambun Indah Land Berhad, Jiankun International Berhad and Axis REIT Managers Berhad

Yeoh Chong Keat and Fathi Ridzuan bin Ahmad Fauzi are the independent Directors of our Group. Yeoh Chong Keat is also an independent Director in Lien Hoe Corporation Berhad, Tambun Indah Land Berhad and a non-independent non-executive Director in Axis REIT Managers Berhad whilst Fathi Ridzuan bin Ahmad Fauzi is an independent Director in Jiankun International Berhad.

Generally, Lien Hoe Corporation Berhad, Tambun Indah Land Berhad, Jiankun International Berhad and Axis REIT Managers Berhad are operating within the property sectors. Lien Hoe Corporation Berhad, Tambun Indah Land Berhad and Jiankun International Berhad are operating under the property development sector whereas Axis REIT Managers Berhad is operating in the property investment sector under the enlarged property development industry. Lien Hoe Corporation Berhad and Jiankun International Berhad are principally involved in the business of developing residential and/ or commercial properties in the Klang Valley whereas Tambun Indah Land Berhad is engaged in the business of developing residential and commercial properties in Penang. Axis REIT Managers Berhad, on the other hand, is involved in the business of property investment where it manages Axis-REIT which was formed to own and invest primarily in real estate located in the Klang Valley, Johor, Penang, Negeri Sembilan and Kedah. The portfolio of Axis-REIT includes, but not limited to, Axis Business Park, Menara Axis, Crystal Plaza, Axis Steel Centre and Axis Shah Alam Distribution Centre 3. For information purposes, the connection between the property development industry and the construction industry is depicted in the diagram below:-



As set out in the diagram above, the construction industry is generally an industry that provides support to the property development industry. The two distinct types of construction activities are civil engineering & special trade work and real estate construction. Civil engineering mainly refers to the construction of infrastructures such as roads, utility structures and public infrastructures whilst special trade works involve the construction of parts of buildings and earthworks. Real estate construction refers to the construction of physical buildings for residential as well as non-residential purposes.

Lien Hoe Corporation Berhad, Tambun Indah Land Berhad and Jiankun International Berhad are principally involved in property development whereas Axis REIT Managers Berhad is manager of Axis-REIT which is a fund that owns and invests in a diverse portfolio of properties located in Malaysia which operates under the property investment sub-segment. However, none of these listed companies are engaged in the provision of civil engineering & special trade work.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Our Group, on the other hand, focuses on earthworks and civil engineering services which belongs to the broader civil engineering and special trade work segment and our business of civil engineering services mainly focus on construction of infrastructures such as roads, drains, bridges, water reticulations and reservoirs, and sewerage systems. We are neither involved in property development nor real estate construction.

Notwithstanding that our Group is also involved in property investment, the aforesaid business segment is not our core business and its contribution of revenue to our Group for the past three (3) financial years up to the FYE 31 December 2016 was insignificant. Furthermore, our Board will practice caution in managing the property investment business segment moving forward. In the near term, 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. Please refer to Section 6.1.2 of this Prospectus for further details on our Group's property investment business segment.

For the avoidance of doubt, we have neither acted as the customer nor as the supplier to Lien Hoe Corporation Berhad, Tambun Indah Land Berhad, Jiankun International Berhad and Axis REIT Managers Berhad for the past three (3) financial years up to the FYE 31 December 2016.

Yeoh Chong Keat and Fathi Ridzuan bin Ahmad Fauzi's interest in the abovementioned listed companies is limited to discharging their duties as an independent Director (save for Axis REIT Managers Berhad where Yeoh Chong Keat serves as a non-independent non-executive Director) and they are not involved in the management (such as business development matters and tendering process) as well as operational matters (such as project execution) of both our Group and the abovementioned listed companies. Their involvement in both our Company and the abovementioned listed companies is limited to the extent of attending board meetings, in which they serve and discharge their principal role and duty as an independent Director (save for Axis REIT Managers Berhad where Yeoh Chong Keat serves as a non-independent non-executive Director) as well as providing advice from a governance perspective.

If there is any existing or potential related party transaction or recurrent related party transaction with the abovementioned companies, Yeoh Chong Keat and Fathi Ridzuan bin Ahmad Fauzi will be required to abstain from deliberations and voting on decisions and resolutions in relation to matters and/ or transactions with the abovementioned companies, if any. In addition, Yeoh Chong Keat and Fathi Ridzuan bin Ahmad Fauzi will also be required to ensure that persons connected with them shall abstain from deliberations and voting on decisions and resolutions in relation to matters and/ or transactions with the abovementioned listed companies.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Interest in Maxwell Capital

Dato' Phum is the major shareholder of Maxwell Capital and the alternate Director to Sin Tai Lim whilst Lim Swee Chai is the major shareholder of Maxwell Capital, which is principally involved in property development projects.

As highlighted in Section 10.4 of this Prospectus, our Group does not have the property development expertise. We are primarily engaged as the contractor of property developers to undertake earthworks and/ or civil engineering services for their projects. Even though our customers are mainly property developers, we do not have any past or on-going business dealings with Maxwell Capital as at the LPD.

As at the LPD, the shareholders and directors of Maxwell Capital as well as their respective shareholdings in Maxwell Capital are set out below:-

Shareholders	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of shares	%	No. of shares	%
Dr. Tan Loke Mun	Malaysian	127,500	51.0	-	-
Dato' Phum	Malaysian	32,500	13.0	-	-
Lim Swee Chai	Malaysian	32,500	13.0	-	-
Sze See Chuen	Malaysian	32,500	13.0	-	-
Sin Tai Lim	Malaysian	25,000	10.0	-	-

Directors	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of shares	%	No. of shares	%
Dr. Tan Loke Mun	Malaysian	127,500	51.0	-	-
Sin Tai Lim	Malaysian	25,000	10.0	-	-
Sze See Chuen ^{*1}	Malaysian	32,500	13.0	-	-
Dato' Phum ^{*2}	Malaysian	32,500	13.0	-	-

Notes:-

*1 Alternate Director to Dr. Tan Loke Mun

*2 Alternate Director to Sin Tai Lim

As shown in the table above, Dato' Phum and Lim Swee Chai each holds 13.0% direct interest in Maxwell Capital. The equity participation of Dato' Phum and Lim Swee Chai in Maxwell Capital is purely as a strategic investor and they have no management or operational responsibility in the company.

Dato' Phum's involvement in Maxwell Capital as an alternate Director to Sin Tai Lim is limited to the extent of attending board meetings on behalf of Sin Tai Lim when the said principal director is otherwise unable to attend, in which Dato' Phum serves and discharge his principal role and duty as a Director as well as providing advice from a governance perspective. The business operations of Maxwell Capital is led by Dr. Tan Loke Mun, the controlling shareholder holding 51.0% direct interest in the company and who is responsible for Maxwell Capital's overall strategy and operations which include setting Maxwell Capital's business direction. For the avoidance of doubt, Dr. Tan Loke Mun is not in any manner related to Dato' Phum and Lim Swee Chai.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Since its incorporation in 1 June 2011, the only property development project that has been undertaken by Maxwell Capital was Taipan 2 at Pusat Bandar Senawang, Negeri Sembilan, which involved the construction of 97 units of commercial shops with an average built up area of 2,500 ft² each ("Taipan 2 project"). The Taipan 2 project, which has a gross development value of approximately RM67.90 million, commenced on August 2012 and was completed on September 2015.

Notwithstanding that our Group is operating in the construction industry, which is generally an industry that provides support to the property development industry, both the industry which our Group and Maxwell Capital have involvement in are rather distinct. However, to avoid potential conflict of interest situation between our Group and Maxwell Capital, we have taken the necessary steps to mitigate the potential conflict of interest situation by providing a letter of irrevocable undertaking dated 9 September 2016 to undertake that Advancecon Group will not in any way enter into any contracts, arrangement and undertakings that may give rise to a potential conflict of interest whether directly or indirectly with Maxwell Capital.

Interest in Excelgenic

As highlighted in Section 10.1.1 of this Prospectus, Dato' Phum was a major shareholder of Excelgenic. In light of good corporate governance practice, he had disposed of his entire shareholdings in Excelgenic and ceased to be a shareholder of Excelgenic effective from 31 December 2014. Furthermore, our Group had ceased business dealings with Excelgenic entirely as at 19 March 2015.

Currently, Pham Soon Kok is the major shareholder of our Group and also the Director and major shareholder of Excelgenic. His interest in our Group and Excelgenic as at the LPD is further set out below:-

Company	Directorship	Executive, managerial or other position	<-----Direct----->		<-----Indirect----->	
			No. of shares held in Advancecon Group	%	No. of shares held in Advancecon Group	%
Advancecon	-	-	32,850,250	10.5	-	-

Company	Directorship	Executive, managerial or other position	<-----Direct----->		<-----Indirect----->	
			No. of shares held in Excelgenic	%	No. of shares held in Excelgenic	%
Excelgenic	√	-	300,030	15.0	-	-

As shown in the table above, Pham Soon Kok is a major shareholder of our Group and he does not hold any managerial or other executive position in our Group. In addition, Pham Soon Kok's involvement in Excelgenic is limited to the extent of attending board meetings, in which he serves and discharges his principal role and duty as a Director. As such, Pham Soon Kok is not involved in the management (such as business development matters and tendering process) as well as operational matters (such as project execution) of both, our Group and Excelgenic.

As set out in Section 10.1.1 of this Prospectus, we had engaged Excelgenic as our subcontractor to mainly carry out civil engineering services for our Group up to the FYE 31 December 2014 as we did not have the expertise to carry out such activities in-house. For the avoidance of doubt, the proportion of subcontractor fee paid to Excelgenic as compared to the total subcontractor costs incurred for our only project which we engaged Excelgenic as our subcontractor during the FYE 31 December 2014 is set out in the following page.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

Scope of subcontract work rendered by Excelgenic to Advancecon ^{*1}	Commencement/ completion date	Total subcontractor fee paid to Excelgenic (A) RM'000	Total subcontractor fee paid to all subcontractors of the project (B) RM'000	Proportion of subcontractor fee paid to Excelgenic over total subcontractor fee paid to all subcontractors of the project (A) / (B) %
Construction of silt trap and slope drainage works 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 ^{*1}	September 2010/ March 2014	956	41,832	2.3

Note:-

^{*1} Our last completed project which we engaged Excelgenic as our subcontractor. Subsequent to the completion of the project on March 2014, we have stopped engaging Excelgenic as our subcontractor

In view that the interests held by Pham Soon Kok in Excelgenic may still potentially give rise to conflict of interest situation with our Group's business in the future, we have taken the necessary steps to mitigate the potential conflict of interest situation by providing a letter of irrevocable undertaking dated 9 September 2016 to undertake that Advancecon Group will not in any way enter into any contracts, arrangement, undertakings that may give rise to a potential conflict of interest whether directly or indirectly with Excelgenic.

10.5 Declaration by the Advisers for our IPO**i. Principal Adviser, Underwriter and Placement Agent**

As at the LPD, RHB Bank Berhad has extended credit facilities to the Group with a limit of up to approximately RM7.77 million (of which approximately RM2.55 million are outstanding) ("Credit Facilities"), details of which are set out below:-

Type of borrowings	Total Extended Facilities RM'mil	Amount drawdown RM'mil
Term loans	1.73	1.41
Hire purchase facilities	6.04	1.14
Total	7.77	2.55

The Credit Facilities constitutes less than 0.01% of RHB Bank Berhad's audited consolidated loans, advances and financing of RM152.35 billion as at 31 December 2016.

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (CONT'D)

RHBIB is of the opinion that such concern of any possible conflict of interests that exists or is likely to exist in relation to its capacity as the Principal Adviser to the Company for the IPO is mitigated by the following:

- (a) RHBIB is a licensed investment bank which is governed by the Financial Services Act, 2013 and the CMSA and its appointment as the Principal Adviser to the Company for the IPO, is in the ordinary course of its business as a licensed investment bank;
- (b) The Credit Facilities were provided by RHB Bank Berhad in the ordinary course of its business and RHBIB does not receive or derive any financial interest or benefit save for the fees received in relation to its appointment as the Principal Adviser to the Company for the IPO; and
- (c) The corporate finance division of RHBIB is required under its investment banking license to comply with strict policies and guidelines issued by the SC, Bursa Securities and Bank Negara Malaysia governing its advisory operations. These guidelines require, amongst others, the establishment of Chinese wall policies, clear segregation between dealing and advisory activities and the formation of an independent committee to review its business operations.

ii. Financial Adviser

MainStreet Advisers Sdn Bhd has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Financial Adviser for our IPO.

iii. Due Diligence Solicitors

Azman, Davidson & Co has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Due Diligence Solicitors for our IPO.

iv. Auditors and Reporting Accountants

Crowe Horwath has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Auditors and the Reporting Accountants for our IPO.

v. Independent Market Researcher

Protégé Associates has given its confirmation that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

11. FINANCIAL INFORMATION**11.1 Historical financial information****11.1.1 Historical consolidated statements of comprehensive income**

The following table sets out a summary of our historical audited consolidated statements of comprehensive income for the past three (3) financial years up to the FYE 31 December 2016 which have been extracted from the Accountants' Report in Section 12 of this Prospectus:-

	<-----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

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

11. FINANCIAL INFORMATION (CONT'D)

- *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

11.1.2 Historical consolidated statements of financial position

The following table sets out a summary of our historical audited consolidated statements of financial position for the past three (3) financial years up to the FYE 31 December 2016 which have been extracted from the Accountants' Report in Section 12 of this Prospectus:-

	<-----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 current assets/ (liabilities)	(3,719)	163	16,901
Net assets	63,733	93,673	105,621
Issued capital and reserves	63,733	93,673	105,621

The table in the following page further sets out a summary of our historical audited consolidated statements of financial position as at 31 December 2016 to show the effects of the Public Issue, Offer for Sale and the proposed utilisation of proceeds from our Public Issue on the assumption that the transactions were completed on 31 December 2016. The historical audited consolidated statement of financial position is presented for illustrative purposes only and should be read in conjunction with the Reporting Accountants' Letter together with the notes and assumptions accompanying on the pro forma consolidated statement of financial position as at 31 December 2016 as set out in Section 13 of this Prospectus.

11. FINANCIAL INFORMATION (CONT'D)

	As at 31 December 2016 RM'000	Pro forma I After the Public Issue and the Offer for Sale RM'000	Pro forma II After I and the Proposed Utilisation of Proceeds RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	105,089	105,089	134,789
Investment properties	31,075	31,075	31,075
	<u>136,164</u>	<u>136,164</u>	<u>165,864</u>
Current assets			
Amount owing by contract customers	3,528	3,528	3,528
Trade receivables	119,485	119,485	119,485
Other receivables, deposits and prepayments	10,803	10,803	10,803
Current tax assets	1,457	1,457	1,457
Deposits with licenced banks	20,830	20,830	20,830
Cash and bank balances	3,621	60,321	14,321
	<u>159,724</u>	<u>216,424</u>	<u>170,424</u>
TOTAL ASSETS	<u>295,888</u>	<u>352,588</u>	<u>336,288</u>
EQUITY AND LIABILITIES			
Share capital	31,208	87,908	85,753
Retained profits	74,413	74,413	72,768
Total equity	<u>105,621</u>	<u>162,321</u>	<u>158,521</u>
Non-current liabilities			
Deferred tax liabilities	4,734	4,734	4,734
Long-term borrowings	42,710	42,710	32,510
	<u>47,444</u>	<u>47,444</u>	<u>37,244</u>
Current liabilities			
Amount owing to contract customers	20,358	20,358	20,358
Trade payables	41,035	41,035	41,035
Other payables and accruals	27,242	27,242	27,242
Current tax liabilities	2,047	2,047	2,047
Short-term borrowings	33,012	33,012	30,712
Bank overdrafts	9,629	9,629	9,629
Dividend payable	9,500	9,500	9,500
	<u>142,823</u>	<u>142,823</u>	<u>140,523</u>
TOTAL LIABILITIES	<u>190,267</u>	<u>190,267</u>	<u>177,767</u>
TOTAL EQUITY AND LIABILITIES	<u>295,888</u>	<u>352,588</u>	<u>336,288</u>
Number of Shares ('000)	312,079	402,079 ^{*1}	402,079 ^{*1}
NA (RM'000)	105,621	162,321	158,521
NA per Share (RM)	0.34	0.40	0.39
NTA (RM'000)	105,621	162,321	158,521
NTA per Share (RM)	0.34	0.40	0.39

Note:-

^{*1} Based on our enlarged issued share capital immediately after the Public Issue

11. FINANCIAL INFORMATION (CONT'D)

11.1.3 Historical consolidated statements of cash flow

The following table sets out the historical audited consolidated statements of cash flow of our Group for the past three (3) financial years up to the FYE 31 December 2016, based on the assumption that our Group has been in existence throughout the relevant financial years under review. The audited consolidated statement of cash flows is presented for illustrative purposes only and should be read in conjunction with the Accountants' Report in Section 12 of this Prospectus.

	<-----Audited----->		
	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Cash flows from operating activities			
Profit before taxation	29,850	39,979	37,146
Adjustments for:-			
Allowance for impairment losses:-			
- trade receivables	1,378	-	-
- other receivables	408	39	-
Bad debts written off	1	1	-
Depreciation:-			
- investment properties	59	184	481
- property, plant and equipment	12,110	14,500	15,684
Fair value adjustments:-			
- trade receivables	-	575	(427)
- amount owing by related parties	(228)	-	-
- trade payables	3	(316)	18
- amount owing to related parties	1	-	-
Impairment loss on goodwill	1,282	-	-
Interest expense	4,179	4,905	5,694
Property, plant and equipment written off	711	627	74
Gain on disposal of property, plant and equipment	(640)	(600)	(659)
Gain on disposal of investment properties	-	-	(139)
Interest income:-			
- deposits with licensed banks	(341)	(506)	(573)
- trade receivables	-	-	(887)
Reversal of impairment losses on trade receivables	-	(926)	(227)
Operating profit before working capital changes	48,773	58,462	56,185
Decrease in inventories	7	-	-
Decrease/ (Increase) in amount owing by contract customers	1,095	(1,121)	623
(Decrease)/ Increase in amount owing to contract customers	(84)	(5,281)	5,384
Increase in trade and other receivables	(45,610)	(16,075)	(17,780)
Increase/ (Decrease) in trade and other payables	26,889	13,758	(8,786)
Decrease in amount owing by related parties	16,519	1,350	-
Decrease in amount owing to related parties	(4,266)	(1,258)	-
Cash from operations	43,323	49,835	35,626

11. FINANCIAL INFORMATION (CONT'D)

	<-----Audited----->		
	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Interest paid	(4,179)	(4,905)	(5,694)
Tax paid	(7,028)	(12,242)	(7,534)
Interest received from trade receivables	-	-	887
Net cash from operating activities	32,116	32,688	23,285
Cash flow from/ (for) investing activities			
Interest received	341	506	573
Repayment from related parties	531	-	-
Increase in deposits pledged with licenced bank	(4,126)	(2,327)	(6,229)
Purchase of property, plant and equipment	(2,864)	(4,405)	(2,528)
Purchase of investment properties	(2,187)	(29,829)	(6,655)
Sale proceeds from disposal of property, plant and equipment	4,896	1,618	7,840
Partial sale proceeds received from disposal of investment properties	-	-	4,160
Net cash for investing activities	(3,409)	(34,437)	(2,839)
Cash flow from financing activities			
Dividends paid	(1,500)	-	(5,000)
Repayment to related parties	(9,255)	(4)	-
Drawdown of term loans	1,987	4,576	20,650
Repayment of hire purchase obligations	(23,811)	(22,614)	(24,743)
Net drawdown/ (repayment) of bank factoring	-	4,834	(4,834)
Net drawdown of bankers' acceptances	478	356	808
Net drawdown of invoice financing	-	1,850	2,603
Net drawdown of revolving credit	-	6,000	-
Repayment of term loans	(2,410)	(1,410)	(4,559)
Net cash for financing activities	(34,511)	(6,412)	(15,075)
Net (decrease)/ increase in cash and cash equivalents	(5,804)	(8,161)	5,371
Cash and cash equivalents at beginning of the financial year	2,586	(3,218)	(11,379)
Cash and cash equivalents at end of the financial year¹	(3,218)	(11,379)	(6,008)

11. FINANCIAL INFORMATION (CONT'D)**Note:-**

*1 Components of cash and cash equivalents as at 31 December 2014, 31 December 2015 and 31 December 2016, respectively:-

	<-----Audited----->		
	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Deposits with licenced banks	12,274	14,601	20,830
Cash and bank balances	3,419	5,702	3,621
Bank overdrafts	(6,637)	(17,081)	(9,629)
Bank and cash balances	9,056	3,222	14,822
Less: Deposits pledged to licenced banks	(12,274)	(14,601)	(20,830)
Cash and cash equivalents	(3,218)	(11,379)	(6,008)

11.2 Capitalisation and indebtedness

The following table summarises our capitalisation and indebtedness:-

- i. As at 31 December 2016, based on our audited consolidated financial information; and
- ii. As adjusted for the net proceeds arising from the issuance of 90,000,000 new Shares pursuant to our Public Issue as well as the utilisation of proceeds as set out in Section 3.12 of this Prospectus.

	As at 31 December 2016 RM'000	After adjustment for the Public Issue and utilisation of proceeds RM'000
Indebtedness (Secured and guaranteed)		
Short-term indebtedness:-		
Hire Purchase payables	15,245	12,945
Term loans	3,966	3,966
Bankers' acceptances	3,348	3,348
Invoice financing	4,453	4,453
Revolving credit	6,000	6,000
Bank overdrafts	9,629	9,629
Total short-term indebtedness	42,641	40,341
Long-term indebtedness:-		
Term loans	23,461	23,461
Hire purchase payables	19,249	9,049
Total long-term indebtedness	42,710	32,510
Total indebtedness	85,351	72,851
Capitalisation		
Total shareholders' equity	105,621	158,521
Total capitalisation	105,621	158,521
Total capitalisation and indebtedness	190,972	231,372
Gearing ratio (times)^{*2}	0.81	0.46

11. FINANCIAL INFORMATION (CONT'D)

Notes:-

- *1 As at the LPD, the total amount of hire purchase payables stood in our Group is approximately RM32.02 million and the effective interest rates for these hire purchase loans ranges between 3.96% to 7.15% per annum. We intend to use RM12.50 million from the proceeds of our Public Issue to repay our hire purchase payables which were obtained to finance our purchase of machinery. Please refer to Section 3.12 of this Prospectus for further details on the utilisation of proceeds from the Public Issue. However, this is a variable figure and may increase or decrease over time.
- *2 Gearing ratio is computed based on total indebtedness over total shareholders' equity

The indirect and contingent liabilities of our Group are set in Section 11.4.8 of this Prospectus.

The key and common relevant covenants relating to the banking and borrowing facilities procured by our Group are amongst others:-

- i. To punctually pay and discharge all taxes, assessments and governmental charges or levies imposed;
- ii. To observe and comply with all conditions, covenants, restrictions and category of land use, express or implied which are binding on the properties;
- iii. To take out, maintain, effect or renew any of the insurance policies as required by the banks;
- iv. To obtain prior written consent where there is an alteration of memorandum and articles of association in any manner whatsoever;
- v. To notify the bank in writing of any material adverse change which will materially affect the ability of the Group to perform its obligations under the facilities;
- vi. To obtain prior written consent where there is a decrease or alteration in the authorised or issued capital of the Group; and
- vii. To obtain prior written consent for any change in the nature of its business or scope of its business.

The Group confirms that it has not breached any covenant or defaulted in payment in respect of any of its borrowings for the past three (3) financial years up to the FYE 31 December 2016 and up to the LPD.

11. FINANCIAL INFORMATION (CONT'D)

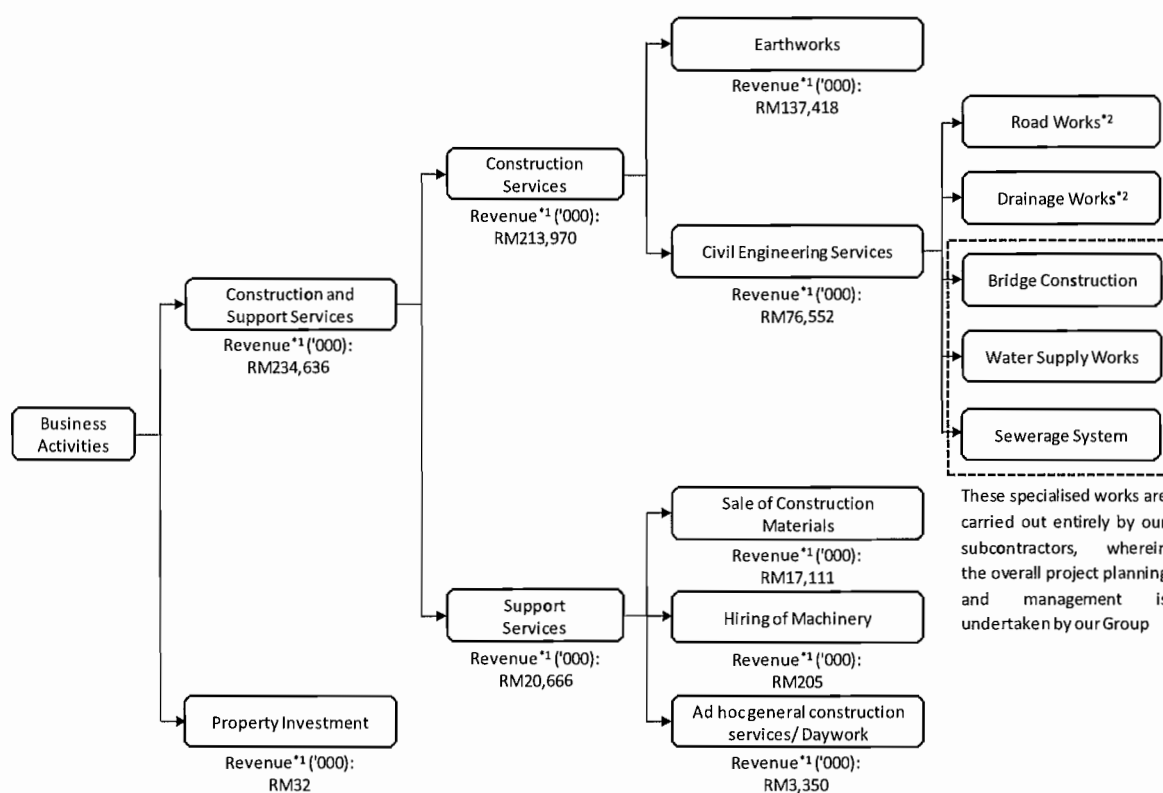
11.3 Management's discussion and analysis of financial condition and results of operations

The following management's discussion and analysis of our financial condition, results of operations and prospects as set out in this Section 11 of this Prospectus for the past three (3) financial years up to the FYE 31 December 2016 are based on, and should be read in conjunction with the accompanying notes, assumptions and bases set out in the Accountants' Report in Section 12 of this Prospectus.

This discussion and analysis may contain certain forward-looking statements that reflect our current views with respect to future events and our future financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under risk factors in Section 4 of this Prospectus.

Overview of our operations

Generally, our Group's businesses are segmented into the following:-



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

i. Construction and support services

(a) Construction services

Our construction services are segmented into two categories, namely earthworks and civil engineering services as depicted in the diagram above.

11. FINANCIAL INFORMATION (CONT'D)

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 the CIDB under SPKK that enables us to tender for Government projects with unlimited value. Please refer to Section 6.1.1 of this Prospectus for further details on the various types of construction works that we are able to tender for.

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 single 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 stand-alone projects.

Our main area of expertise is in the provision of earthworks as well as two (2) sub categories of civil engineering services, namely road works and drainage works. 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).

As our core business focuses on earthworks, we generally subcontract out the construction of bridges, water supply works and sewerage system to our subcontractors to carry out these civil engineering services. 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.

Further breakdown on the composition of earthworks and civil engineering services for our Group's construction contracts or construction services for the audited 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

A summary of our notable earthworks and/ or civil engineering projects with revenue contribution to our Group for the past three (3) financial years up to the FYE 31 December 2016 is set out in the following page.

11. FINANCIAL INFORMATION (CONT'D)

The revenue contribution of our notable earthworks and/ or civil engineering projects for the past three (3) financial years up to the FYE 31 December 2016 is set out below:-

Project details ¹	Project category	Contract value ² RM'000	Commencement/ <----Revenue for the FYE 31 December -----> Completion date ³	2014 RM'000	2015 RM'000	2016 RM'000	Total cumulative revenue RM'000
Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	Earthworks and civil engineering	136,520	April 2015/ September 2017 ⁴	-	44,946	42,274	87,220
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	Earthworks and civil engineering	114,200	November 2013/ March 2018 ⁴	27,075	33,232	25,441	85,748
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	Earthworks and civil engineering	56,385	November 2013/ September 2015	23,257	29,896 ⁶	3,179	56,332
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	Civil engineering	30,147	September 2015/ December 2016	-	3,922	26,225	30,147
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	Earthworks and civil engineering	65,947	September 2012/ October 2016	16,609	10,653	2,538 ⁷	29,800

11. FINANCIAL INFORMATION (CONT'D)

Project details ¹	Project category	Contract value ² RM'000	Commencement/ Completion date ³	Revenue for the FYE 31 December ----->			Total cumulative revenue RM'000
				2014 RM'000	2015 RM'000	2016 RM'000	
Earthworks, main drain, detention pond and other ancillary works (Package 8) at Plot 2 of the Nilai Impian 2 project at Seremban, Negeri Sembilan	Earthworks and civil engineering	32,402	May 2013/ August 2015	14,441	10,475 ⁵	4,219	29,135
Construction and completion of trumpet interchange at Lebuhraya Kajang Seremban (LEKAS) Highway for the Eco Majestic project at Beranang, Hulu Langat, Selangor	Earthworks and civil engineering	28,032	June 2014/ June 2016	2,258	17,286	8,488	28,032
Site clearance, earthworks and retaining walls for the industrial and commercial development at Jeram Batu, Pontian, Johor	Earthworks	23,353	November 2014/ September 2015	2,063	21,290	-	23,353
Earthworks for the mixed development at Block 7, Cyber 1 of the Setia Eco Glades project at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Earthworks and civil engineering	54,115	July 2012/ August 2017 ⁴	13,009	4,221	5,365	22,595
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	Earthworks and civil engineering	53,103	March 2016/ September 2017 ⁴	-	-	21,654	21,654
Construction and completion of earthworks for the Hillpark Shah Alam project at Bandar Puncak Alam, Kuala Selangor, Selangor	Earthworks	21,648	November 2013/ June 2015	14,841	6,349 ⁵	378	21,568

11. FINANCIAL INFORMATION (CONT'D)

Project details ¹	Project category	Contract value ² RM'000	Commencement/ Completion date ³	Revenue for the FYE 31 December			Total cumulative revenue RM'000
				2014 RM'000	2015 RM'000	2016 RM'000	
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	Earthworks and civil engineering	63,000	May 2016/ June 2017 ⁴	-	-	20,121	20,121
Site clearance, earthworks, main drains and ancillary works for the Eco Business Park 2 project at Tebrau, Johor	Earthworks and civil engineering	19,205	August 2014/ February 2016	3	15,636	3,566	19,205
Site clearance, earthworks, detention pond and ancillary works (Phase 2) for the mixed development of the Eco Business Park project at Tebrau, Johor	Earthworks and civil engineering	15,083	July 2014/ May 2015	5,503	9,143 ⁵	437	15,083
Execution and completion of site clearance, earthworks, road works, surface water drainage and sewerage works for the Taman Kenanga project at Dengkil, Sepang, Selangor	Earthworks and civil engineering	19,524	July 2013/ July 2014	14,629 ⁵	11	-	14,640
Site clearance and earthworks (Parcel 2) for the mixed development of the Bandar Amanjaya project at Sungai Petani, Kuala Muda, Kedah	Earthworks and civil engineering	14,102	November 2015/ September 2016	-	1,596	12,506	14,102
Construction and completion including handing over of 30 hectares detention pond and ancillary works (Package 3) at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Earthworks and civil engineering	13,664	October 2013/ September 2016	3,779	5,572	2,272	11,623
Earthworks and associated works at Phase 1 & 1A, Laman 3, Bernam Jaya, Selangor	Earthworks	12,048	August 2013/ February 2015	10,183	1,182	-	11,365

11. FINANCIAL INFORMATION (CONT'D)

Project details ¹	Project category	Contract value ² RM'000	Commencement/ Completion date ³	Revenue for the FYE 31 December		Total cumulative revenue RM'000
				2014 RM'000	2015 RM'000	
Site clearance, earthworks, detention pond and ancillary works (Phase 1) for the mixed development of the Eco Business Park project at Tebrau, Johor	Earthworks and civil engineering	15,545	September 2013/ September 2014	10,535 ⁵	51	10,586
Total (A)				158,185	215,461	552,309
Total revenue from construction services (B)				184,341	230,338	628,649
(A) / (B) (%)				85.8	93.5	87.9

Notes:-

- ¹ Inclusive of earthworks and/ or civil engineering projects which had, individually contributed more than RM10.00 million in cumulative revenue for the past three (3) financial years up to the FYE 31 December 2016
- ² Total contract value includes variations orders
- ³ Completion date is based on the issuance date of CPC
- ⁴ Being the expected completion date of the project
- ⁵ These projects were completed in the FYE 31 December 2014. However, the Group has performed additional work beyond the scope of work carried under the original contract due to variation order to the original contract. Consequently, the quantum of billing was negotiated with the contract customers beyond the FYE 31 December 2014. As such, the additional revenue for these projects was recognised in the FYE 31 December 2015
- ⁶ These projects were completed in the FYE 31 December 2015. However, the Group has performed additional work beyond the scope of work carried under the original contract due to variation order to the original contract. Consequently, the quantum of billing was negotiated with the contract customers beyond the FYE 31 December 2015. As such, the additional revenue for these projects was recognised in the FYE 31 December 2016
- ⁷ This project was completed in the FYE 31 December 2016. However, the Group has performed additional work beyond the scope of work carried under the original contract due to variation order to the original contract. Consequently, the quantum of billing was negotiated with the contract customer beyond the FYE 31 December 2016. As such, the additional revenue for this project will only be recognised in the financial year ending 31 December 2017

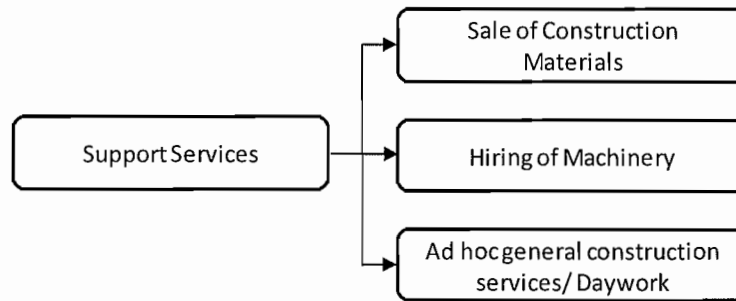
11. FINANCIAL INFORMATION (CONT'D)

There were a total of 53 earthworks and/ or civil engineering projects which had contributed revenue to our Group's construction services over the past three (3) financial years up to the FYE 31 December 2016. The notable earthworks and/ or civil engineering projects highlighted in the abovementioned table comprises 19 projects which had collectively contributed approximately 85.8%, 93.5% and 83.5% to our Group's total revenue from construction services over the past three (3) financial years up to the FYE 31 December 2016.

For the avoidance of doubt, the revenue for the construction contracts is recognised on a yearly basis based on progress billing raised by the Group to its contract customers. As some of the projects have commenced prior to the FYE 31 December 2014, the revenue recorded for the said projects in the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 may be less than the revenue amount recognised in the prior financial year(s). Likewise, there are certain projects which have commenced and recognised revenue in the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 but will only be completed after the FYE 31 December 2016. Under such circumstances, the remaining revenue for these projects will only be recognised after the FYE 31 December 2016. As such, the contract value of a project may not be the same as its cumulative revenue in the abovementioned table.

As at the LPD, we have on hand 16 on-going earthworks and/ or civil engineering projects with remaining contract value of RM572.48 million, which is expected to sustain the Group's earnings for approximately 24 months from the LPD. Please refer to Section 11.5 of this Prospectus for further details on the state of our order book for our construction services.

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11. FINANCIAL INFORMATION (CONT'D)**(b) Support services****aa. 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.

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. Please refer to Section 6.1.1(b)(i) of this Prospectus for further details.

bb. Hiring of machinery

We currently provide rental of machinery mainly for our internal use as well as to cater for the needs of our subcontractor/ customers. 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. The machinery are typically rented either on per hour, per day, per trip, per m³ or per ton basis based on the prevailing rates at that particular point in time. Please refer to Section 6.1.1(b)(ii) of this Prospectus for further details.

11. FINANCIAL INFORMATION (CONT'D)

cc. 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, turfing to prevent soil erosion as well as the preparation of a temporary car park platform. 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. Please refer to Section 6.1.1 (b)(iii) of this Prospectus for further details.

ii. Property investment

Over the years, during the course of undertaking construction services projects for our property developer clients, we have been offered to acquire certain properties developed by them mainly in the Klang Valley at certain discounted rates ranging from 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% (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, where possible and in the best interest of our Company. 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.

As at the FYE 31 December 2016, the total asset value (i.e. cost) of our investment properties stood at approximately RM31.60 million, accounting for approximately 10.7% of our latest audited total asset. The proportion of internally generated funds and bank borrowings used for the acquisition of the said investment properties was approximately RM18.33 million or 58.0% and RM13.27 million or 42.0%, respectively. Please refer to Section 6.1.2 of this Prospectus for further details.

Please refer to Section 6 of the Prospectus for our detailed business overview.

Generally, we are 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 structures 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 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 up to the FYE 31 December 2016, respectively. Further, earthworks contributed approximately 76.8%, 73.2% and 64.2% to our Group's revenue from construction services for the past three (3) financial years up to the FYE 31 December 2016. As such, we are principally involved in the earthworks activities.