

11. FINANCIAL INFORMATION (CONT'D)

We are also involved in the provision of support services such as sale of construction materials, hiring of machinery and ad hoc general construction services/ daywork, contribution of which was approximately RM15.47 million, RM33.97 million and RM20.67 million or approximately 7.7%, 12.9% and 8.8% to our Group's total revenue for the past three (3) financial years up to the FYE 31 December 2016.

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

Review of our historical results

The following information is based on the historical audited consolidated results of our Group for the past three (3) financial years up to the FYE 31 December 2016. For the avoidance of doubt, the historical audited consolidated results exclude inter-company transactions for the financial years under review.

i. Revenue

For the financial years under review, our revenue was derived from the business segment as follows:-

(a) Earthworks and civil engineering services

As set out in Section 6.1.1 of this Prospectus, earthworks and civil engineering services constitutes approximately 92.3%, 87.1% and 91.2% of our Group's total revenue for the past three (3) financial years up to the FYE 31 December 2016. Furthermore, our earthworks and civil engineering services contracts are mainly awarded to us from customers who are predominantly in the property development sector.

Revenue on construction contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss. The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

11. FINANCIAL INFORMATION (CONT'D)

Our revenue from earthworks and civil engineering services has been recognised based on the percentage of completion method for the past three (3) financial years up to the FYE 31 December 2016. When the total costs incurred on construction contracts plus recognised profits (less recognised losses) exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

Our total contract revenue also comprises an estimation of the variation works that are recoverable from our customers. We recognise variation revenue in contract work and claims to the extent that we have agreed with our customers.

For the avoidance of doubt, the number of contracts that were affected by variation works and the corresponding financial impact to the Group for the past three (3) financial years up to the FYE 31 December 2016 are set out below:-

	<-----FYE 31 December----->		
	2014 RM'000	2015 RM'000	2016 RM'000
Number of contracts with variation works	24	17	14
Net addition/ (deduction) from contract sum	17,865	41,020	(22,267)*1
Corresponding financial impact to the Group:-			
Increase/ (decrease) in the Group's profit during the financial year	2,318	2,130	(1,350)

Note:-

*1 The net deduction from contract sum for the FYE 31 December 2016 was mainly attributable by the following project due to the request by our contract customer to omit certain of the original scope of work as a result of design changes for the said project:-

Project details	Variation order due to design changes	(A)	(B)	(A) – (B)
		Original contract value RM'000	Revised contract value RM'000	Variation in contract value RM'000
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	Reduced scope of cut and fill activities Reduced scope of rock excavation works Reduced scope of drainage works which involve the installation of concrete drains within site boundary Reduced scope of construction of retaining walls	87,429	65,947	21,482

11. FINANCIAL INFORMATION (CONT'D)

In addition to the above, the non-financial impact of variation order on our Group's project includes, amongst other, delay in achieving the targeted milestones of the project, rework and demolition to the ongoing construction project and requirement of new or additional amount of material and equipment to undertake the additional work.

(b) Sale of construction materials

Revenue derived from our sale of construction materials segment comprises mainly quarry products (i.e. aggregate, quarry waste, quarry dust (dust form), block stone and crusher run, premix products (i.e. asphalt, sand and steel bar), precast products (i.e. box culvert, U-shape drain, L-shape drain), ready-mix concrete, gabion (used for erosion protection) and bitumen emulsion (act as glue between road base and top surface of finished road).

Revenue from sale of construction materials is recognised when the materials are delivered to and accepted by our customers. Furthermore, our construction materials were mostly sold to our subcontractors who work at our project sites during the past three (3) financial years up to the FYE 31 December 2016, recording at approximately 67.3%, 68.7% and 77.4% of total revenue from sale of construction materials for the past three (3) financial years up to the FYE 31 December 2016.

The details of our customers who individually contributed 10.0% or more of our revenue from sale of construction materials for each of the past three (3) financial years up to the FYE 31 December 2016 are set out below:-

Customers	Principal activities	Years of relationship as at the LPD	Revenue from sale of construction materials					
			2014		2015		2016	
			RM'000	%	RM'000	%	RM'000	%
Britecon Sdn Bhd	Contract works and services	7	6	- ¹	3,548	11.8	3,161	18.5
Pembinaan Sagamaju Sdn Bhd	General contractors	5	133	0.9	1,590	5.3	1,703	10.0
Hai Tiong Construction	Trading of building construction materials	8	-	-	5,553	18.4	1,571	9.2
Laras Selatan Sdn Bhd	Construction activities	6	2,434	16.0	3,617	12.0	1,067	6.2
Pembinaan NGLC Sdn Bhd	General construction	9	2,131	14.0	1,522	5.1	6	- ¹

Note:-

¹ Negligible

The revenue derived from this segment contributed approximately 7.6%, 11.4% and 7.3% of our Group's total revenue for the past three (3) financial years up to the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)**(c) Hiring of machinery**

Revenue derived from the hiring of machinery segment consists solely of rental of machinery. The machinery are typically rented either on a per hour, per day, per trip, per m³ or per ton basis based on the prevailing market rates. Rental fees are recognised upon completion of services.

The details of our customers who individually contributed 10.0% or more of our revenue from hiring of machinery for each of the past three (3) financial years up to the FYE 31 December 2016 are set out below:-

Customers	Principal activities	Years of relationship as at the LPD	Revenue from hiring of machinery					
			2014		2015		2016	
			RM'000	%	RM'000	%	RM'000	%
Loghill Development Sdn Bhd	General contractor of construction works and other related work	6	-	-	1	0.4	68	33.2
Young Modulus Sdn Bhd	Construction	3	-	-	-	-	40	19.5
Antadex Construction Sdn Bhd	Construction	3	-	-	*1	*1	26	12.7
C.W.Chong Trading	Subcontractor for earthworks	4	-	-	53	20.5	12	5.9
Success Earthworks & Construction Sdn Bhd	Construction earthworks and hiring of construction machinery	4	-	-	56	21.6	11	5.4
Sandar Bina Sdn Bhd	General contractor and contractor agents	3	-	-	44	17.0	-	-
Arena Perintis Sdn Bhd	Agriculture, trading of building materials, builders & contractors for construction work.	6	-	-	40	15.4	-	-
Four Seasons Landscape Sdn Bhd	General construction of providing landscaping works	3	13	39.4	-	-	-	-
Hipoint Cons & Eng Sdn Bhd	Contracting business	5	11	33.3	2	0.8	-	-
Pembinaan NGLC Sdn Bhd	General construction	9	9	27.3	10	3.9	-	-

Note:-

*1 Negligible

11. FINANCIAL INFORMATION (CONT'D)

The revenue derived from this segment contributed approximately negligible, 0.1% and 0.1% of our Group's total revenue for the past three (3) financial years up to the FYE 31 December 2016.

(d) Ad hoc general construction services/ daywork

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

The revenue derived from this segment contributed approximately 0.1%, 1.4% and 1.4% of our Group's total revenue for the past three (3) financial years up to the FYE 31 December 2016.

In general, our revenue may fluctuate due to the following factors:-

- i. Performance of the construction and property development industry in Malaysia;
- ii. Consistency in securing new projects;
- iii. The complexity and duration of our secured projects;
- iv. The stage of completion of our earthworks and civil engineering contracts during the financial year;
- v. Approval of variation orders by our customers, due to additional works not included in the original specifications of the contracts; and
- vi. The continued renewal of the relevant licences, registrations, permits or approvals necessary for our business operation.

The analysis of our revenue (after inter-company elimination) for the financial years under review are set out below:-

Revenue by companies

	<----- FYE 31 December ----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Advancecon	3,553	1.8	-	-	37	-*3
Advancecon Infra	181,909	91.0	259,998	98.4	234,599	100.0
Advancecon Machinery	-	-	-	-	-	-
Advancecon Rock*1	48	-*3	-	-	-	-
Advancecon Trading*2	9,569	4.8	3,494	1.3	-	-
Inspirasi Hebat	4,730	2.4	815	0.3	-	-
SK-II Tipper Truck Services	-	-	-	-	-	-
Advancecon Properties	-	-	-	-	32	-*3
	199,809	100.0	264,307	100.0	234,668	100.0

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

- *1 Previously engaged in the business of providing rock blasting services. The Board will commence voluntary winding up proceedings in June 2017
- *2 Previously engaged in the business of sale of construction materials. The Board will commence voluntary winding up proceedings in June 2017
- *3 Negligible

Revenue by business segments

	<-----FYE 31 December----->					
	2014* ¹		2015* ¹		2016	
	RM'000	%	RM'000	%	RM'000	%
Construction and support services	199,809	100.0	264,307	100.0	234,636	100.0
Construction services	184,341	92.3	230,338	87.1	213,970	91.2
Earthworks	141,610	70.9	168,621	63.8	137,418	58.6
Civil engineering services	42,731	21.4	61,717	23.3	76,552	32.6
Support services	15,468	7.7	33,969	12.9	20,666	8.8
Sale of construction materials	15,208	7.6	30,108	11.4	17,111	7.3
Hiring of machinery	33	- ²	259	0.1	205	0.1
Ad hoc general construction services/ daywork	227	0.1	3,602	1.4	3,350	1.4
Property investment	-	-	-	-	32	-²
	199,809	100.0	264,307	100.0	234,668	100.0

Notes:-

- *1 Our property investment business segment did not generate any revenue during the FYE 31 December 2014 and the FYE 31 December 2015 as bulk of our investment properties were still under construction and were only delivered to us progressively since December 2015. Notwithstanding the foregoing, our Group managed to rent out four (4) units of investment properties out of our current 15 units of completed investment properties between the FYE 31 December 2016 up to the LPD, 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;
 - (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; and
 - (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; and

11. FINANCIAL INFORMATION (CONT'D)

- (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 respective purchase prices and annual rentals of the abovementioned three (3) tenanted investment properties, the annual gross rental yield ranges between approximately 1.9% and 4.8%.

For information purposes, our Group has engaged property agents to identify tenants for the remaining 11 units of completed investment properties to generate recurring rental income during the holding period of the aforesaid investment properties. 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. Please refer to Section 6.1.2 of this Prospectus for further details on our property investment business segment.

² Negligible

Revenue from our construction services segment for the past three (3) financial years up to the FYE 31 December 2016 were recognised based on the following number of projects during the financial years:-

	<-----FYE 31 December----->					
	2014		2015		2016	
	Number of projects	Revenue derived RM'000	Number of projects	Revenue derived RM'000	Number of projects	Revenue derived RM'000
Completed during the year	8	42,317	12	91,163	10	67,212
Work-in-progress as at end of year	16	133,647	11	139,113	12	138,137
	24	175,964	23	230,276	22	205,349
Completed during the prior financial years	15	8,377	2	62	5	8,621
	39	184,341	25	230,338	27	213,970

As at the LPD, our order book for the construction services stood at approximately 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.

FYE 31 December 2014

For the FYE 31 December 2014, our total revenue increased by approximately RM51.30 million to RM199.81 million, representing an increase of approximately 34.5% as compared to the FYE 31 December 2013. The growth in total revenue was mainly due to the increase in revenue from our construction services.

11. FINANCIAL INFORMATION (CONT'D)

Construction services

Revenue from construction services increased by approximately RM45.96 million or approximately 33.2% from RM138.38 million in the FYE 31 December 2013 to RM184.34 million in the FYE 31 December 2014 mainly due to the following projects:-

Project details	Project category	Commencement/ Completion date	Contract value RM'000	Percentage of completion in the FYE 31 December 2014 %	Revenue in the FYE 31 December 2014		
					Earthworks RM'000	Civil Engineering Services RM'000	Total RM'000
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	November 2013/ March 2018	114,200	62.6	26,051	1,024	27,075
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	November 2013/ September 2015	56,385	36.8	7,672	15,585	23,257
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	September 2012/ October 2016	65,947	63.9	15,899	710	16,609
Construction and completion of earthworks for the Hillpark Shah Alam project at Bandar Puncak Alam, Kuala Selangor, Selangor	Earthworks	November 2013/ June 2015	21,648	69.4	14,841	-	14,841

11. FINANCIAL INFORMATION (CONT'D)

Project details	Project category	Commencement/ Completion date	Contract value RM'000	Percentage of completion in the FYE 31 December 2014 %	Revenue in the FYE 31 December 2014		
					Earthworks RM'000	Civil Engineering Services RM'000	Total RM'000
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	July 2013/ July 2014	19,524	100.0	2,023	12,606	14,629
Total					66,486	29,925	96,411

Support services

Revenue from sale of construction materials increased by approximately RM6.55 million or approximately 75.6% from RM8.66 million in the FYE 31 December 2013 to RM15.21 million in the FYE 31 December 2014. The increase in revenue was mainly due to increase in sale of quarry products to third party contractors and our subcontractors who work at our project sites amounting to RM5.00 million. The increase in demand for quarry products by our subcontractors was in line with the increase in road works undertaken by our Group during the FYE 31 December 2014 mainly due to the following projects:-

Project details

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

Execution and completion of site clearance, earthworks, road works, surface water drainage and sewerage works for the Taman Kenanga project at Dengkil, Sepang, Selangor

Revenue from hiring of machinery decreased by approximately RM0.28 million or approximately 90.3% from RM0.31 million in the FYE 31 December 2013 to RM0.03 million in the FYE 31 December 2014. The decline in revenue was mainly attributable to lower demand for our machinery by our subcontractors.

Revenue from ad hoc general construction services/ daywork decreased by approximately RM0.93 million or approximately 80.2% from RM1.16 million in the FYE 31 December 2013 to RM0.23 million in the FYE 31 December 2014. The decline in revenue was due to the decrease in number of ad hoc general construction services/ daywork services undertaken by our Group and the revenue derived from this business segment was mainly attributable to the projects in the following page.

11. FINANCIAL INFORMATION (CONT'D)

Project details	Revenue RM'000
Site clearing, excavation and fill works for the preparation of a temporary car park platform at Ukay Perdana, Selangor	120
Site clearing, excavation and fill works for the preparation of a temporary car park platform at Puncak Alam, Selangor	55
Total	175

FYE 31 December 2015

For the FYE 31 December 2015, our total revenue increased by approximately RM64.50 million to RM264.31 million, representing an increase of approximately 32.3% as compared to the FYE 31 December 2014. The growth in total revenue was mainly due to the increase in revenue from our construction services.

Construction services

Revenue from construction services increased by approximately RM46.00 million or approximately 25.0% from RM184.34 million in the FYE 31 December 2014 to RM230.34 million in the FYE 31 December 2015 mainly due to the following projects:-

Project details	Project category	Commencement/ Completion date	Contract value RM'000	Percentage of completion in the FYE 31 December 2015 %	Revenue in the FYE 31 December 2015		
					Earthworks RM'000	Civil Engineering Services RM'000	Total RM'000
Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	Earthworks and civil engineering	April 2015/ September 2017	136,520	34.5	34,911	10,035	44,946
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	November 2013/ March 2018	114,200	59.4	31,976	1,256	33,232

11. FINANCIAL INFORMATION (CONT'D)

Project details	Project category	Commencement/ Completion date	Contract value RM'000	Percentage of completion in the FYE 31 December 2015 %	Revenue in the FYE 31 December 2015		
					Earthworks RM'000	Civil Engineering Services RM'000	Total RM'000
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	November 2013/ September 2015	56,385	100.0	9,862	20,034	29,896
Site clearance, earthworks and retaining walls for the industrial and commercial development at Jeram Batu, Pontian, Johor	Earthworks	November 2014/ September 2015	23,353	100.0	21,290	-	21,290
Total					98,039	31,325	129,364

Support services

Revenue from sale of construction materials increased by approximately RM14.90 million or approximately 98.0% from RM15.21 million in the FYE 31 December 2014 to RM30.11 million in the FYE 31 December 2015. The increase in revenue was mainly due to increase in sale of precast products and ready-mix concrete to our subcontractors who work at our project sites amounting to RM6.54 million and RM3.33 million, respectively. The increase in demand for the aforementioned construction materials by our subcontractors was in line with the increase in drainage works and bridge construction undertaken by our Group during the FYE 31 December 2015, mainly due to the following projects:-

Project details

Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor

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

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

11. FINANCIAL INFORMATION (CONT'D)

Revenue from hiring of machinery increased by approximately RM0.23 million or more than 100.0% from RM0.03 million in the FYE 31 December 2014 to RM0.26 million in the FYE 31 December 2015. The growth in revenue was mainly attributable to higher demand for our excavators and dump trucks by our subcontractors.

Revenue from ad hoc general construction services/ daywork increased by approximately RM3.37 million or more than 100.0% from RM0.23 million in the FYE 31 December 2014 to RM3.60 million in the FYE 31 December 2015. The growth in revenue was mainly attributable to the following project:-

Project details	Revenue RM'000
Site clearing, removal of unsuitable soil and earth fillings works at Batu 13, Puchong, Selangor	2,888

FYE 31 December 2016

For the FYE 31 December 2016, our total revenue decreased by approximately RM29.64 million to RM234.67 million, representing a decrease of approximately 11.2% as compared to the FYE 31 December 2015. The decrease in total revenue was mainly due to the decrease in revenue from our support services by approximately 39.2% as compared to the FYE 31 December 2015. The decrease in revenue was also partly attributable to the decrease in revenue contribution from our core business (i.e. construction services) by approximately 7.1% as compared to the previous financial year.

Construction services

Revenue from construction services decreased by approximately RM16.37 million or approximately 7.1% from RM230.34 million in the FYE 31 December 2015 to RM213.97 million in the FYE 31 December 2016 mainly due to timing differences between the completion of certain old projects in the FYE 31 December 2015 and the commencement of certain new projects towards the last quarter of the FYE 31 December 2016 which resulted in lower revenue from construction services being recognised in the FYE 31 December 2016.

As mentioned above, the decrease in revenue was partly attributable to the completion of two (2) construction projects which were the third and fourth largest revenue contributor to our Group in the FYE 31 December 2015. The details of the aforementioned projects are set out below:-

Project details	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	November 2013/ September 2015
Site clearance, earthworks and retaining walls for the industrial and commercial development at Jeram Batu, Pontian, Johor	November 2014/ September 2015

Despite the completion of the abovementioned projects and on top of our on-going projects, our Group managed to secure two (2) large scale infrastructure projects towards the last quarter of the FYE 31 December 2016, namely the West Coast Expressway (WCE) Interchange project and Pan Borneo highway project, which have a contract value of approximately RM239.81 million and RM105.23 million, respectively.

11. FINANCIAL INFORMATION (CONT'D)

However, as the commencement date of these projects was in December 2016, the revenue contribution from these projects was not fully recognised in the FYE 31 December 2016. Further details of the aforementioned projects are set out below:-

Project details	Project category	Commencement/ Completion date	Contract value RM'000	Percentage of completion in the FYE 31 December 2016 %	Revenue in the FYE 31 December 2016		
					Earthworks RM'000	Civil Engineering Services RM'000	Total RM'000
Construction and completion of civil works for West Coast Expressway (WCE) Interchange (from Section 1 - Banting Interchange to South Klang Valley Expressway (SKVE) Interchange)	Infrastructure (Earthworks, Road works, Drainage works, Bridge construction)	December 2016/ June 2019	239,810	0.2	80	108	188
Development and upgrading of the proposed Pan Borneo highway in the state of Sarawak (from Sg Awik Bridge to Bintangor Junction)	Infrastructure (Earthworks)	December 2016/ November 2019	105,233	0.5	117	-	117
Total					197	108	305

For investors' information, notwithstanding that our Group's revenue from construction services decreased by approximately 7.1% as compared to the FYE 31 December 2015 which was partly due to the completion of certain projects in the said financial year, our Group has secured and commenced work on the aforementioned West Coast Expressway (WCE) Interchange project and Pan Borneo highway project in December 2016, which are large scale infrastructure project that exceeds contract value of RM50 million. The aforementioned projects mainly involve earthworks and/ or civil engineering works where our Group would carry out the entire construction process for such construction works save for the supply and laying of asphalt premix as well as the installation of concrete kerbs, street lightings and metal guardrails, installation of concrete drains and bridge construction which are usually carried out by our subcontractors. Notwithstanding the foregoing, our Group still undertakes the overall project planning and management of all our subcontracted works and we are accountable to our customers for the execution of the contract and the overall management of the project. Our Board is confident that the aforementioned projects coupled with our current order book of approximately RM572.48 million are expected to provide a sustainable revenue stream to our Group for the subsequent financial years.

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

Revenue from sale of construction materials decreased by approximately RM13.00 million or approximately 43.2% from RM30.11 million in the FYE 31 December 2015 to RM17.11 million in the FYE 31 December 2016. The decline in revenue was mainly due to decrease in sale of sand, precast products and ready-mix concrete to our subcontractors who work at our project sites amounting to RM5.85 million, RM4.70 million and RM0.91 million, respectively. The decrease in demand for the aforementioned construction materials by our subcontractors was mainly due to the completion of the following projects in the FYE 31 December 2015, which required a larger volume of the aforementioned construction materials for the road works and drainage works associated with the following projects:-

Project details

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, main drain, detention pond and other ancillary works (Package 8) at Plot 2 of the Nilai Impian 2 project at Seremban, Negeri Sembilan

Revenue from hiring of machinery decreased by approximately RM0.05 million or approximately 19.2% from RM0.26 million in the FYE 31 December 2015 to RM0.21 million in the FYE 31 December 2016. The decline in revenue was mainly attributable to lower demand for our excavators and dump trucks by our subcontractors.

Revenue from ad hoc general construction services/ daywork decreased by approximately RM0.25 million or approximately 6.9% from RM3.60 million in the FYE 31 December 2015 to RM3.35 million in the FYE 31 December 2016. The decline in revenue was due to the decrease in the number of ad hoc general construction services/ daywork services undertaken by our Group and the revenue derived from this business segment was mainly attributable to the following project:-

Project details**Revenue
RM'000**

Infrastructure rectification works (i.e. repair of sewer pipeline and manholes and removal of sediment at detention pond) at Bandar Sultan Suleiman, Klang, Selangor

2,576

11. FINANCIAL INFORMATION (CONT'D)**ii. Cost of sales**

Our cost of sales consists of subcontractors costs, raw materials, staff costs, repairs and maintenance, hiring of machine, depreciation and other costs.

The analysis of our cost of sales for the financial years under review is set out below:-

Cost of sales by companies

	<----- FYE 31 December ----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Advancecon	4,128	2.7	1,130	0.6	404	0.2
Advancecon Infra	74,416	49.5	152,955	74.5	130,766	76.7
Advancecon Machinery	28,247	18.8	36,410	17.7	39,437	23.1
Advancecon Rock	-	-	-	-	-	-
Advancecon Trading	42,858	28.5	14,641	7.1	-	-
Inspirasi Hebat	686	0.5	300	0.1	-	-
SK-II Tipper Truck Services	-	-	-	-	-	-
Advancecon Properties	-	-	-	-	-	-
	150,335	100.0	205,436	100.0	170,607	100.0

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11. FINANCIAL INFORMATION (CONT'D)**Cost of sales by business segments**

	<-----FYE 31 December----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Construction and support services	150,335	100.0	205,436	100.0	170,607	100.0
Construction services	139,793	93.0	178,651	87.0	154,624	90.7
Earthworks	106,672	71.0	129,998	63.3	99,731	58.5
Civil engineering services	33,121	22.0	48,653	23.7	54,893	32.2
Support services	10,542	7.0	26,785	13.0	15,983	9.3
Sale of construction materials	10,395	6.9	24,639	12.0	14,891	8.7
Hiring of machinery	28	*1	229	0.1	178	0.1
Ad hoc general construction services/ daywork	119	0.1	1,917	0.9	914	0.5
Property investment	-	-	-	-	-	-
	150,335	100.0	205,436	100.0	170,607	100.0

Note:-

*1 Negligible

Cost of sales by cost component

	<-----FYE 31 December----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Subcontractor costs	63,764	42.4	87,174	42.4	69,389	40.7
Raw materials	45,408	30.2	64,374	31.3	45,289	26.5
Staff costs	12,377	8.2	13,697	6.8	18,691	11.0
Repairs and Maintenance	7,002	4.7	11,392	5.5	12,040	7.0
Depreciation	10,749	7.2	12,812	6.2	13,498	7.9
Hiring of Machinery	4,676	3.1	6,790	3.3	5,574	3.3
Others*1	6,359	4.2	9,197	4.5	6,126	3.6
	150,335	100.0	205,436	100.0	170,607	100.0

Note:-

*1 Other cost of sales comprises CIDB levy fee, inspection charges (i.e. soil density tests), operational cost for sandpit, rental of site equipment (i.e. generator and mobile lighting towers), site maintenance costs, security fees, statutory fees, weighbridge maintenance costs, work permit application fees and other project related expenses

11. FINANCIAL INFORMATION (CONT'D)

(a) Subcontractor costs

We incurred approximately RM63.76 million, RM87.17 million and RM69.39 million in subcontractor costs for the past three (3) financial years up to the FYE 31 December 2016, representing approximately 42.4%, 42.4% and 40.7% of our total cost of sales for the past three (3) financial years up to the FYE 31 December 2016.

As set out in Section 6.1.1(a) of the Prospectus, earthworks remain as our core business activity and our area of expertise, the entire scope of work for earthworks is usually carried out by our in-house team, and we generally do not engage external subcontractors to undertake such activity. However, in the event where our Group encounter shortage of manpower or machinery, then the earthworks will usually be subcontracted to third parties. On the other hand, as some of our projects also require the provision of specialised civil engineering services such as road works, drainage works, bridge construction, water supply works and sewerage works which are not our major strength and core business to carry out in-house, these services will generally be subcontracted to third parties. We usually subcontract out certain portions of road works (as we do not own the asphalt paver set for road pavement activity) and drainage works (as drainage works are labour intensive to carry out in-house), whereas we will subcontract the entire construction of bridges, water supply works and sewerage system to our subcontractors.

Notwithstanding the foregoing, our Group still undertakes the overall project planning and management of all our subcontracted works and we are accountable to our customers for the execution of the contract and the overall management of the project. Please refer to Section 6.1.1(a) of this Prospectus for further breakdown on our subcontracted work.

Our subcontractors include local sole proprietors as well as companies which generally possess the required skills, machinery and/ or manpower to perform the subcontracted works. As subcontractor costs constitute one (1) of the major component of our cost of sales, we have in place a prudent selection process prior to engaging our subcontractors. These subcontractors are selected based on, inter alia, their core expertise, our past working experience with them, their past completed jobs and their competitiveness in terms of pricing.

(b) Raw materials

We incurred approximately RM45.41 million, RM64.37 and RM45.29 million in raw materials costs for the past three (3) financial years up to the FYE 31 December 2016, representing approximately 30.2%, 31.3% and 26.5% of our total cost of sales for the past three (3) financial years up to the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

Industrial diesel, precast products and quarry products constituted the main raw materials purchased by our Group for our construction services for the past three (3) financial years up to the FYE 31 December 2016. For the avoidance of doubt, industrial diesel is used to operate our machinery mainly to undertake earthworks activity, whereas quarry products (i.e. aggregate, quarry waste, quarry dust (dust form), block stone and crusher run) and precast products (i.e. box culvert, U-shape drain, L-shape drain) are raw materials for road works and drainage works, respectively. Our other raw materials used for our construction projects mainly comprise of explosives, premix products (i.e. asphalt, sand and steel bar), ready-mix concrete, lubricants, gabion and bitumen emulsion.

Our industrial diesel, precast products and quarry products are sourced from our suppliers in Malaysia and these raw materials 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.

Prior to the commencement of each construction project, we have to inform our customer and construction consultant regarding the construction materials we decided to use for the project. We estimate the amount of construction materials to be ordered and we specify the delivery time and quantity to our suppliers on a project-by-project basis. We generally do not keep excess inventory.

We will assess the overall performances of our potential suppliers, including product quality, timeliness of delivery, references and reputation in the industry to be included in our list of approved suppliers on an annual basis to ensure that we have maintained a reasonably diversified base of reliable suppliers which offer competitive prices. As at the LPD, there were approximately 605 suppliers on our list of approved suppliers.

(c) Staff costs

We incurred approximately RM12.38 million, RM13.70 million and RM18.69 million in staff costs for the past three (3) financial years up to the FYE 31 December 2016, representing approximately 8.2%, 6.8% and 11.0% of our total cost of sales for the past three (3) financial years up to the FYE 31 December 2016.

Our staff costs mainly comprises salaries, bonuses and other staff-related cost for employees who are directly involved in our construction projects. These labour hours are directly correlated with the number of working hours, salary grades, staff headcount and labour market conditions. The number of employees who are directly involved in our construction projects are 166, 251 and 358 for the past three (3) financial years up to the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

(d) Repairs and maintenance

We incurred approximately RM7.00 million, RM11.39 million and RM12.04 million in repairs and maintenance for the past three (3) financial years up to the FYE 31 December 2016, representing approximately 4.7%, 5.5% and 7.0% of our total cost of sales for the past three (3) financial years up to the FYE 31 December 2016.

All the construction machinery and equipment owned by our Group are well maintained to ensure the continuity of our business operations as well as to ensure the safety of our employees. Generally, our Production and Operation department together with our Workshop department hold the responsibility to ensure the timeliness of the maintenance and servicing of our machinery and equipment based on our manufacturers' recommended schedule for each of the machinery and equipment stated in our maintenance manual. We engage our manufacturers for scheduled servicing of machinery and equipment that are still under the warranty validity period.

For machinery that exceeded its warranty validity periods, our Group has an in-house maintenance team, which mainly holds the responsibility for the maintenance and repairing services which involve minor defects and/ or minor breakdowns of our machinery and equipment in which the problem solving of such minor defects and breakdowns are within the capability of our in-house maintenance team. For major maintenance and repairing services which we do not have the diagnostic tools and equipment or OEM replacement parts, we will engage external service providers to perform such maintenance and repairing services.

Our Group intends to allocate approximately RM14.60 million from our Public Issue proceeds to construct a workshop on the Industrial Land as our in-house workshop for the purposes of carrying out repairing and maintenance services of our machinery and equipment. Please refer to Sections 3.12(i)(b) of this Prospectus for further details of our in-house workshop.

(e) Depreciation

We incurred approximately RM10.75 million, RM12.81 million and RM13.50 million in depreciation for the past three (3) financial years up to the FYE 31 December 2016, representing approximately 7.2%, 6.2% and 7.9% of our total cost of sales for the past three (3) financial years up to the FYE 31 December 2016.

Our depreciation cost consists of depreciation charges on plant and machinery over estimated useful lives of these assets. Based on our past record, we generally disposed or trade in our machinery after operating for an average period of five (5) years to achieve operational efficiency of the assets.

11. FINANCIAL INFORMATION (CONT'D)

(f) Hiring of machinery

We incurred approximately RM4.68 million, RM6.79 million and RM5.57 million in hiring of machinery for the past three (3) financial years up to the FYE 31 December 2016, representing approximately 3.1%, 3.3% and 3.3% of our total cost of sales for the past three (3) financial years up to the FYE 31 December 2016.

Our earthworks operation is heavily reliant on machinery for our business operation. In the event of any major breakdown of our machinery during the construction activities, we will hire the machinery from external party while waiting for the delivery of the replacement parts for the repair of our machinery to avoid any disruption to our construction services. We will source the type of machinery required from the local vendors, based on the pricing and availability of their machinery. The duration of the hiring of machinery is dependent on the availability of the spare parts for the replacement of our machinery.

(g) Others

Other cost of sales mainly comprises CIDB levy fee, inspection charges (i.e. soil density tests), operational cost for sandpit, rental of site equipment (i.e. generator and mobile lighting towers), site maintenance costs, security fees, statutory fees, weighbridge maintenance costs, work permit application fees and other project related expenses.

Overall, our total cost of sales generally increased from approximately RM150.34 million in the FYE 31 December 2014 to approximately RM205.44 million in the FYE 31 December 2015 and subsequently decreased to RM170.61 million in the FYE 31 December 2016. The movement of our total cost of sales from the FYE 31 December 2014 to the FYE 31 December 2016 was in line with the movements of our revenue from our construction and support services business segments throughout the financial years under review.

(a) Subcontractor costs

For the past three (3) financial years up to the FYE 31 December 2016, our subcontractor costs constituted the largest portion of our total cost of sales.

The amount of subcontractor costs increased from approximately RM47.66 million in the FYE 31 December 2013 to approximately RM63.76 million in the FYE 31 December 2014, which was in line with the increase in road works, drainage works and bridge construction undertaken by our Group during the FYE 31 December 2014. This resulted in the increase in composition of subcontractor costs over total cost of sales from approximately 40.2% in the FYE 31 December 2013 to approximately 42.4% in the FYE 31 December 2014.

11. FINANCIAL INFORMATION (CONT'D)

The higher subcontractor costs incurred in the FYE 31 December 2014 was mainly attributed by the following projects:-

Project details	Subcontracted works	Subcontractor costs RM'000
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	Road works – Laying of asphalt premix, installation of metal guardrails, road pavement marking and installation of road signs Drainage works – Supply and installation of concrete drains within site boundary Bridge construction – Construction of substructures and superstructures of the bridge	16,791
Execution and completion of site clearance, earthworks, road works, surface water drainage and sewerage works for the Taman Kenanga project at Dengkil, Sepang, Selangor	Road works – Laying of asphalt premix and installation of metal guardrails Drainage works – Supply and installation of concrete drains within site boundary Sewerage works – Supply and installation of sewer pipeline	5,974
Site clearance, earthworks, detention pond and ancillary works (Phase 1) for the mixed development of the Eco Business Park project at Tebrau, Johor	Drainage works – Supply and installation of concrete drains within site boundary	3,767
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	Drainage works – Supply and installation of concrete drains within site boundary	3,365
Earthworks for the mixed development at Block 7, Cyber 1 of the Setia Eco Glades project at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	Road works – Installation of metal guardrails	2,306
Total		32,203

11. FINANCIAL INFORMATION (CONT'D)

The amount of subcontractor costs increased from approximately RM63.76 million in the FYE 31 December 2014 to approximately RM87.17 million in the FYE 31 December 2015, which was in line with the increase in road works, drainage works and bridge construction undertaken by our Group during the FYE 31 December 2015. The composition of subcontractor costs over total cost of sales for the FYE 31 December 2015 was consistent with the previous financial year.

The higher subcontractor costs incurred in the FYE 31 December 2015 was mainly attributed by the following projects:-

Project details	Subcontracted works	Subcontractor costs RM'000
Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	Road works – Laying of asphalt premix, installation of metal guardrails, road pavement marking and installation of road signs	20,938
	Drainage works – Supply and installation of concrete drains within site boundary	
	Water supply works – Supply, installation and construction of water reticulation system	
	Sewerage works – Supply and installation of sewer pipeline	
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	Road works – Laying of asphalt premix, installation of metal guardrails, road pavement marking and installation of road signs	11,450
	Drainage works – Supply and installation of concrete drains within site boundary	
	Bridge construction – Construction of substructures and superstructures of the bridge	

11. FINANCIAL INFORMATION (CONT'D)

Project details	Subcontracted works	Subcontractor costs RM'000
Construction and completion of trumpet interchange at Lebuhraya Kajang Seremban (LEKAS) Highway for the Eco Majestic project at Beranang, Hulu Langat, Selangor	Road works – Laying of asphalt premix, installation of metal guardrails, road pavement marking and installation of road signs	9,018
	Drainage works – Supply and installation of concrete drains within site boundary	
	Bridge construction – Construction of substructures and superstructures of the bridge	
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	Road works – Laying of asphalt premix, installation of metal guardrails, road pavement marking and installation of road signs	7,081
	Drainage works – Supply and installation of concrete drains within site boundary	
	Bridge construction – Construction of substructures and superstructures of the bridge	
Total		48,487

The amount of subcontractor costs decreased from approximately RM87.17 million in the FYE 31 December 2015 to approximately RM69.39 million in the FYE 31 December 2016, mainly due to timing differences between the completion of certain old projects in the FYE 31 December 2015 and the commencement of certain new projects towards the last quarter of the FYE 31 December 2016 which consequently leads to a lower demand for subcontractors to carry out our construction projects in the FYE 31 December 2016.

As mentioned above, the decrease in subcontractor costs was partly attributable to the completion of two (2) construction projects which our Group had incurred approximately RM16.49 million of subcontractor costs to carry out these projects in the FYE 31 December 2015. The details of the aforementioned projects are set out below:-

Project details	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	November 2013/ September 2015

11. FINANCIAL INFORMATION (CONT'D)

Project details	Commencement/ Completion date
Earthworks, main drain, detention pond and other ancillary works (Package 8) at Plot 2 of the Nilai Impian 2 project at Seremban, Negeri Sembilan	May 2013/ August 2015

Despite the completion of the abovementioned projects, our Group managed to secure two (2) large scale infrastructure projects towards the last quarter of the FYE 31 December 2016, namely the West Coast Expressway (WCE) Interchange project and Pan Borneo highway project, which have a contract value of approximately RM239.81 million and RM105.23 million, respectively. The aforementioned projects mainly involve earthworks and/ or civil engineering works whereby our Group would carry out the entire construction process, save for the supply and laying of asphalt premix as well as the installation of concrete kerbs, street lightings and metal guardrails, installation of concrete drains and bridge construction for the West Coast Expressway (WCE) Interchange project which will be carried out by our subcontractors.

However, as the commencement date of the aforementioned projects was in December 2016 and coupled with the fact that the subcontracted works for the West Coast Expressway (WCE) Interchange project (i.e. for the supply and laying of asphalt premix and followed by the installation of concrete kerbs, street lightings and metal guardrails, installation of concrete drains and bridge construction) only commence pursuant to the completion of the earthworks process, our Group did not incur any subcontractor costs for the West Coast Expressway (WCE) Interchange project in the FYE 31 December 2016.

In summary, as a result of the timing differences between the completion of certain old projects in the FYE 31 December 2015 and the commencement of certain new projects towards the last quarter of the FYE 31 December 2016, our Group has incurred less subcontractor costs to carry out our construction projects in the FYE 31 December 2016.

(b) Raw materials

For the past three (3) financial years up to the FYE 31 December 2016, our raw materials costs constituted the second largest portion of our total cost of sales, recording at RM45.41 million, RM64.37 million and RM45.29 million respectively for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016.

The analysis of our raw materials costs by composition for the past three (3) financial years under review are set out below:-

	<----- FYE 31 December ----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Industrial diesel	25,042	55.2	24,105	37.5	14,845	32.8
Precast products	3,518	7.7	10,812	16.8	5,663	12.5

11. FINANCIAL INFORMATION (CONT'D)

	<----- FYE 31 December ----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Quarry products	5,281	11.6	12,199	18.9	11,255	24.9
Premix products	2,760	6.1	5,796	9.0	2,365	5.2
Ready-mix concrete products	2,103	4.6	3,949	6.1	3,483	7.7
Lubricants	1,831	4.0	1,820	2.8	1,920	4.2
Explosive products	890	2.0	1,791	2.8	1,259	2.8
Others ^{*1}	3,983	8.8	3,902	6.1	4,499	9.9
	45,408	100.0	64,374	100.0	45,289	100.0

Note:-

^{*1} Others mainly comprises bricks, cement, ductile rod, formwork, gabion, geotextile, manhole cover, mild steel, pipe, plywood and timber

Based on the abovementioned table, industrial diesel, precast products and quarry products constituted the main raw materials purchased by our Group for our construction services for the past three (3) financial years up to the FYE 31 December 2016. For the avoidance of doubt, industrial diesel is used to operate our machinery mainly to undertake earthworks activity, whereas quarry products and precast products are raw materials for road works and drainage works, respectively. The analysis of our industrial diesel costs, precast products costs and quarry products costs over our Group's revenue from construction services for the past financial years under review are further set out below:-

	<----- FYE 31 December ----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Industrial diesel	25,042	13.6	24,105	10.5	14,845	6.9
Precast products	3,518	1.9	10,812	4.7	5,663	2.6
Quarry products	5,281	2.9	12,199	5.3	11,255	5.3
Total	33,841	18.4	47,116	20.5	31,763	14.8
Revenue from construction services	184,341		230,338		213,970	

11. FINANCIAL INFORMATION (CONT'D)**Industrial diesel**

The amount of industrial diesel costs recorded a declining trend over the past three (3) financial years up to the FYE 31 December 2016. The decrease in composition of industrial diesel costs over revenue from construction services for the past three (3) financial years up to the FYE 31 December 2016 was mainly due to the decrease in average market prices of diesel on an annual basis of 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, despite the fluctuation in diesel usage by our Group over the past three (3) financial years under review at approximately 11.12 million litre, 12.51 million litre and 10.25 million litre, respectively.

In summary, the decrease in average market prices of diesel on an annual basis outpaced the decrease in diesel usage by our Group between the FYE 31 December 2014 and the FYE 31 December 2016. As a result, our Group's annual industrial diesel costs recorded a declining trend over the past three (3) financial years up to the FYE 31 December 2016. Furthermore, industrial diesel is used to operate our machinery mainly to undertake earthworks activity. As such, the movements in diesel usage by our Group is in tandem with the movements of our revenue derived from earthworks activities.

Precast products

The amount of precast products costs increased from approximately RM3.52 million in the FYE 31 December 2014 to approximately RM10.81 million in the FYE 31 December 2015 and subsequently decreased to approximately RM5.66 million in the FYE 31 December 2016. The composition of precast products costs over revenue from construction services increased from approximately 1.9% in the FYE 31 December 2014 to approximately 4.7% in the FYE 31 December 2015 and subsequently decreased to approximately 2.6% in the FYE 31 December 2016.

The composition of precast products costs over revenue from construction services recorded the highest during the FYE 31 December 2015, mainly due to drainage works performed for the following construction services projects which required a larger volume of precast products:-

Project details

Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor

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

For the FYE 31 December 2016, our Group's ongoing projects comprised lower drainage works whereby the composition of drainage works over the total value of civil engineering works carried out in the FYE 31 December 2016 was approximately 17.6% as compared to approximately 45.9% in the previous financial year. As such, there was less demand for precast products in the FYE 31 December 2016 which resulted in a decrease in the composition of precast products costs over revenue from construction services during the said financial year under review.

11. FINANCIAL INFORMATION (CONT'D)

Quarry products

The amount of quarry products costs increased from approximately RM5.28 million in the FYE 31 December 2014 to approximately RM12.20 million in the FYE 31 December 2015 and subsequently decreased to approximately RM11.26 million in the FYE 31 December 2016. The composition of quarry products costs over revenue from construction services increased from approximately 2.9% in the FYE 31 December 2014 to approximately 5.3% in the FYE 31 December 2015 and FYE 31 December 2016, respectively. The higher composition of quarry products costs over revenue from construction services recorded during the FYE 31 December 2015 and the FYE 31 December 2016 was mainly due to road works performed for the construction of road and highway for the following construction services projects which required a larger volume of quarry products:-

Project details

FYE 31 December 2015

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

Construction and completion of trumpet interchange at Lebuhraya Kajang Seremban (LEKAS) Highway for the Eco Majestic project at Beranang, Hulu Langat, Selangor

FYE 31 December 2016

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

This is further in line with the composition of road works undertaken in the FYE 31 December 2015 and the FYE 31 December 2016 whereby road works comprised an average of approximately 28.8% over the total value of civil engineering works carried out in both the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

(c) Staff costs

For the past three (3) financial years up to the FYE 31 December 2016, our staff costs had been on an increasing trend, recording at approximately RM12.38 million, RM13.70 million and RM18.69 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 respectively.

The increase in the amount of staff costs was mainly attributable to the increase in the number of employees who are directly involved in the construction projects for the past three (3) financial years up to the FYE 31 December 2016. Specifically, the number of employees in our Project Management department increased from 24 in the FYE 31 December 2014 to 101 in the FYE 31 December 2016 as we employed more office workers to support the execution of our construction projects. In total, the number of employees who are directly involved in the construction projects increased from 166 in the FYE 31 December 2014 to 358 in the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

Our staff costs had been on an increasing trend for the past three (3) financial years up to the FYE 31 December 2016 as our Group has employed additional workers to undertake and execute larger-scale construction projects as evident from the commencement of our West Coast Expressway (WCE) Interchange project and Pan Borneo highway project in December 2016 which have a contract value of approximately RM239.81 million and RM105.23 million, respectively. This is also in line with our Group's future plans to step up our efforts to target larger-scale construction projects to generate higher revenue to our Group and further raise our business profile in the construction industry as an earthworks specialist. Please refer to Sections 6.17 and 11.5 of this Prospectus for further details on our Group's future plans and strategies and the state of our order book in our construction services.

Notwithstanding the above, we generally do not maintain a large pool of ground workers in terms of direct staff for our on-site operations. As a result, we employed more subcontractors for our labour-intensive works for certain scope of our construction projects, which includes but not limited to, supply and installation of drains, supply and laying of asphalt premix and piling work for construction of bridges to reduce the costs of maintaining staff in our Group. Please refer to Section 6.1.1(a) of this Prospectus for further breakdown on our subcontracted work.

(d) Repairs and maintenance

For the past three (3) financial years up to the FYE 31 December 2016, our repairs and maintenance costs had been on an increasing trend, recording at approximately RM7.00 million, RM11.39 million and RM12.04 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

The increase in repairs and maintenance costs was due to higher usage of machinery for our construction projects. The repairs and maintenance costs increased from approximately RM7.00 million in the FYE 31 December 2014 to approximately RM11.39 million in the FYE 31 December 2015 mainly due to the concurrent delivery of five (5) earthworks projects in the FYE 31 December 2015, resulting in the higher usage of our machinery to meet the contractual obligations of our projects.

During the FYE 31 December 2016, our Group has secured large scale infrastructure projects, namely the West Coast Expressway (WCE) Interchange project and Pan Borneo highway project. In anticipation of higher usage of machinery pursuant to the commencement of the aforementioned projects in December 2016, our Group has incurred the relevant repairs and maintenance costs on the machinery catered for the excavation and fill activity (as a preparation to support the abovementioned projects later), such as excavators, tipper trucks and bulldozers. As a result, the repairs and maintenance costs increased further from approximately RM11.39 million in the FYE 31 December 2015 to approximately RM12.04 million in the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

However, some of these machinery which had reached the mileage or age threshold of replacement criteria in our Group's machinery replacement policy will be disposed in the subsequent financial year.

(e) Depreciation

For the past three (3) financial years up to the FYE 31 December 2016, the amount of depreciation of plant and equipment had been on an increasing trend, recording at RM10.75 million, RM12.81 million and RM13.50 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

The amount of our depreciation of plant and machinery increased from RM6.46 million in the FYE 31 December 2013 to RM10.75 million in the FYE 31 December 2014 mainly attributable to additions of new machinery amounting to RM39.16 million. We had acquired additional 44 units of dump trucks, 14 units of excavators, nine (9) units of bulldozers and four (4) units of compactors to cater primarily for our construction services.

The amount for the depreciation of plant and machinery increased from RM10.75 million in the FYE 31 December 2014 to RM12.81 million in the FYE 31 December 2015 mainly attributable to additions of new machinery amounting to RM10.15 million. We had acquired additional 12 units of dump trucks, three (3) units of excavators, five (5) units of bulldozers and four (4) units of compactors to cater primarily for our construction services.

The amount of depreciation of plant and machinery increased from RM12.81 million in the FYE 31 December 2015 to RM13.50 million in the FYE 31 December 2016 mainly attributable to additions of new machinery amounting to RM24.63 million. We had acquired additional 22 units of dump trucks, 22 units of excavators, eight (8) units of compactors and one (1) unit of bulldozer to cater primarily for our construction services.

(f) Hiring of machinery

For the past three (3) financial years up to the FYE 31 December 2016, our hiring of machinery costs was recorded at RM4.68 million, RM6.79 million and RM5.57 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. The hiring of machinery costs recorded the highest in the FYE 31 December 2015 mainly due to the concurrent delivery of five (5) earthworks projects in the FYE 31 December 2015, and we had to hire additional units of back pushers, dump trucks and back hoe from external parties in order to meet the contractual obligations of our projects.

(g) Others

The movement of our other cost of sales which comprises CIDB levy fee, inspection charges (i.e. soil density tests), operational cost for sandpit, rental of site equipment (i.e. generator and mobile lighting towers), site maintenance costs, security fees, statutory fees, weighbridge maintenance costs, work permit application fees and other project related expenses was in line with our total revenue for the past three (3) financial years up to the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

iii. Gross profit and gross profit margins

The analysis of our gross profit contribution and gross profit margins for the financial years under review are set out below:-

Gross profit by companies

	<----- FYE 31 December ----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Advancecon	(575) ^{*1}	(1.2)	(1,130) ^{*1}	(1.9)	(367) ^{*1}	(0.6)
Advancecon Infra	107,493	217.3	107,043	181.7	103,833	162.1
Advancecon Machinery	(28,247) ^{*1}	(57.1)	(36,410) ^{*1}	(61.8)	(39,437) ^{*1}	(61.6)
Advancecon Rock	48	0.1	-	-	-	-
Advancecon Trading	(33,289) ^{*1}	(67.3)	(11,147) ^{*1}	(18.9)	-	-
Inspirasi Hebat	4,044	8.2	515	0.9	-	-
SK-II Tipper Truck Services	-	-	-	-	-	-
Advancecon Properties	-	-	-	-	32	0.1
	49,474	100.0	58,871	100.0	64,061	100.0

Overall gross profit margin	24.8	22.3	27.3
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Gross profit margin by companies

Advancecon	(16.2) ^{*1}	_*2	(991.9) ^{*1}
Advancecon Infra	59.1	41.2	44.3
Advancecon Machinery	_*2	_*2	_*2
Advancecon Rock	100.0	-	-
Advancecon Trading	(347.9) ^{*1}	(319.0) ^{*1}	-
Inspirasi Hebat	85.5	63.2	-
SK-II Tipper Truck Services	-	-	-
Advancecon Properties	-	-	100.0

Notes:-

^{*1} Recorded gross loss and gross loss margin as majority of the services provided were inter-company related within our Group and mainly consists of, amongst others, sale of construction materials and hiring of machinery to the related companies

11. FINANCIAL INFORMATION (CONT'D)

*2 Not applicable as there was no revenue recorded for the respective companies after adjusted for inter-company transactions

Gross Profit by Business Segments

	<-----FYE 31 December----->					
	2014		2015		2016	
	RM'000	%	RM'000	%	RM'000	%
Construction and support services	49,474	100.0	58,871	100.0	64,029	99.9
Construction services	44,548	90.0	51,687	87.8	59,346	92.6
Earthworks	34,938	70.6	38,623	65.6	37,687	58.8
Civil engineering services	9,610	19.4	13,064	22.2	21,659	33.8
Support services	4,926	10.0	7,184	12.2	4,683	7.3
Sale of construction materials	4,813	9.8	5,469	9.3	2,220	3.5
Hiring of machinery	5	- ¹	30	0.1	27	- ¹
Ad hoc general construction services/ daywork	108	0.2	1,685	2.8	2,436	3.8
Property investment	-	-	-	-	32	0.1
	49,474	100.0	58,871	100.0	64,061	100.0

Gross profit margin by business segments

Construction and support services	24.8	22.3	27.3
Construction services	24.2	22.4	27.7
Earthworks	24.7	22.9	27.4
Civil engineering services	22.5	21.2	28.3
Support services	31.8	21.1	22.7
Sale of construction materials	31.6	18.2	13.0
Hiring of machinery	15.2	11.6	13.2
Ad hoc general construction services/ daywork	47.6	46.8	72.7
Property investment	-	-	100.0

Note:-

*1 Negligible

11. FINANCIAL INFORMATION (CONT'D)

Our gross profits are mainly derived from our construction services, being our main revenue stream. As elaborated under the revenue commentary above, the revenue composition for each financial year depends substantially on construction projects secured and progress of work done and certified during the financial year. The gross profit for each financial year differs as each project differs in terms of project scope of work, technical specifications, project duration and costs which will have direct effect on our profit margins.

FYE 31 December 2014

For the FYE 31 December 2014, our gross profit increased by approximately RM19.61 million to RM49.47 million, representing an increase of approximately 65.7% as compared to the FYE 31 December 2013. The increase in gross profit was mainly due to the increase in gross profit from our construction services.

Construction services

The gross profit contribution from construction services increased by approximately RM17.55 million or approximately 65.0% from RM27.00 million in the FYE 31 December 2013 to RM44.55 million in the FYE 31 December 2014. The gross profit margin of this segment also improved from approximately 19.5% in the FYE 31 December 2013 to approximately 24.2% in the FYE 31 December 2014. The growth in gross profit and gross profit margin was mainly derived from the following projects:-

- i Execution and completion of site clearance, earthworks, road works, surface water drainage and sewerage works for the Taman Kenanga project at Dengkil, Sepang, Selangor

The higher gross profit derived from this project was mainly due to actual cost savings from the bulk purchase of raw materials such as quarry products used for carrying out road works for the project.

- ii Site clearance, earthworks, main storm drains and detention ponds (Package 3) of the Desa Coalfields project at Coalfield Estate, Ijok, Selangor

The higher gross profit derived from this project was mainly due to actual cost savings from the bulk purchase of raw materials such as precast products used for carrying out drainage works for the project.

Support services

The gross profit margin for sale of construction materials improved from approximately 27.8% in the FYE 31 December 2013 to approximately 31.6% in the FYE 31 December 2014. The higher gross profit margin was mainly attributable to lower average purchase price for quarry products as compared to the previous financial year.

11. FINANCIAL INFORMATION (CONT'D)

The gross profit margin for ad hoc general construction services/ daywork improved from approximately 35.4% in the FYE 31 December 2013 to approximately 47.6% in the FYE 31 December 2014. The gross profit contribution from ad hoc general construction services/ daywork was derived from the following ad-hoc projects:-

Project details

Site clearing, excavation and fill works for the preparation of a temporary car park platform at Ukay Perdana, Selangor

Site clearing, excavation and fill works for the preparation of a temporary car park platform at Puncak Alam, Selangor

The overall gross profit margin for the FYE 31 December 2014 was 24.8% as compared to 20.1% in the FYE 31 December 2013, mainly in tandem with the abovementioned higher gross profit recorded for our construction services coupled with lower average purchase price of quarry products for the FYE 31 December 2014.

FYE 31 December 2015

For the FYE 31 December 2015, our gross profit increased by approximately RM9.4 million to RM58.87 million, representing an increase of approximately 19.0% as compared to the FYE 31 December 2014. The increase in gross profit was mainly due to the increase in gross profit from our construction services.

Construction services

The gross profit contribution from construction services increased by approximately RM7.14 million or approximately 16.0% from RM44.55 million in the FYE 31 December 2014 to RM51.69 million in the FYE 31 December 2015. However, the gross profit margin of this segment decreased from approximately 24.2% in the FYE 31 December 2014 to approximately 22.4% in the FYE 31 December 2015. The decrease in gross profit margin was due to the increase in subcontract costs and raw material costs of approximately 36.7% and 41.8%, respectively, which had outpaced the increase in revenue from construction services of approximately 25.0% in the FYE 31 December 2015.

Notwithstanding the decrease in gross profit margin, the growth in gross profit was mainly derived from the following projects:-

- i 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
- ii 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

The higher gross profit derived from the abovementioned projects was mainly due to cost savings synergy achieved in terms of mobilisation and sharing of machinery and manpower as both projects are located within a close proximity to each other in the Hulu Langat District.

11. FINANCIAL INFORMATION (CONT'D)

Support services

The gross profit margin for sale of construction materials decreased from approximately 31.6% in the FYE 31 December 2014 to approximately 18.2% in the FYE 31 December 2015. The lower gross profit margin was attributed to higher average purchase price for sand as compared to the previous financial year.

The gross profit margin for ad hoc general construction services/ daywork decreased from approximately 47.6% in the FYE 31 December 2014 to approximately 46.8% in the FYE 31 December 2015. The gross profit contribution from ad hoc general construction services/ daywork was mainly derived from the following project:-

Project details

Site clearing, removal of unsuitable soil and earth fillings works at Batu 13, Puchong, Selangor

The overall gross profit margin for the FYE 31 December 2015 was 22.3% as compared to 24.8% in the FYE 31 December 2014, mainly due to lower gross profit margin recorded for our construction services coupled with higher average purchase price for sand for the FYE 31 December 2015.

FYE 31 December 2016

For the FYE 31 December 2016, our gross profit increased by approximately RM5.19 million to RM64.06 million, representing an increase of approximately 8.8% as compared to the FYE 31 December 2015. Our gross profit margin also improved from approximately 22.3% in the FYE 31 December 2015 to approximately 27.3% in the FYE 31 December 2016. The increase in gross profit was mainly due to the increase in gross profit from our construction services whereas the improvement of our gross profit margin was mainly due to the decrease in our cost of goods sold in the FYE 31 December 2016 which had outpaced the decrease in our revenue during the same financial year.

As highlighted above, two (2) of our Group's largest components for cost of goods sold, namely our subcontractor costs and raw materials costs decreased by approximately 24.3% from an aggregate of RM151.55 million in the FYE 31 December 2015 to RM114.68 million in the FYE 31 December 2016. Our subcontractor costs decreased by approximately RM17.79 million mainly due to timing differences between the completion of certain old projects in the FYE 31 December 2015 and the commencement of certain new projects towards the last quarter of the FYE 31 December 2016. In addition, two (2) of our major components for raw materials, namely industrial diesel and precast products, also recorded a decrease of RM9.26 million and RM5.15 million, respectively. The decrease in industrial diesel cost was mainly due to the decrease in average market prices of diesel on an annual basis which had outpaced the decrease in diesel usage by our Group in the FYE 31 December 2016 whereas the decrease in precast products costs was due to lesser demand for the said raw materials in the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

Furthermore, the improvement in the gross profit margin in the FYE 31 December 2016 was partly attributable to the overall cost savings from some of our construction projects due to, amongst others, the following reasons:-

- i Cost savings due to favourable terrain conditions at the project site, whereby our Group had a better accessibility within the project site and we were able to carry out site clearance work at a faster pace as compared to the normal duration required for a project site with the same surface area, resulting in machinery and labor cost savings;
- ii Cost savings synergy achieved in terms of mobilisation and sharing of machinery and manpower between projects that were located within a close proximity to each other; and
- iii Cost savings achieved from certain infrastructure upgrading and landscaping works which generally required lesser work and shorter timeframe for implementation as compared to our conventional infrastructure works.

As such, despite the decrease in our revenue during the FYE 31 December 2016, the higher gross profit and gross profit margin recorded during the same financial year was due to savings in cost of sales as a result of the reasons set out above.

Construction services

The gross profit contribution from construction services increased by approximately RM7.66 million or approximately 14.8% from RM51.69 million in the FYE 31 December 2015 to RM59.35 million in the FYE 31 December 2016. The gross profit margin of this segment also improved from approximately 22.4% in the FYE 31 December 2015 to approximately 27.7% in the FYE 31 December 2016. The increase in gross profit and gross profit margin was mainly derived from the following projects:-

- i Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor

The higher gross profit and gross profit margin derived from this project was due to the favourable terrain conditions at the project site. Specifically, the topography of the project site comprised less obstacles such as trees, bushes, stumps, roots and other objectionable material and obstructions that may interfere with the construction work on the project site. Under such condition, our Group had a better accessibility within the project site and we were able to carry out site clearance work and removal of unsuitable material at a faster pace as compared to the normal duration required for a project site with the same surface area.

- ii 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

The higher gross profit and gross profit margin derived from this project was mainly due to cost savings synergy achieved in terms of mobilisation and sharing of machinery and manpower of this project with another civil engineering project which involved the scope of road works, drainage works and bridge construction (i.e. the Setia Ecohill Link project) wherein both projects are located within a close proximity to each other in the Hulu Langat District.

11. FINANCIAL INFORMATION (CONT'D)

- iii Infrastructure and landscaping works at Bukit Jalil National Sports Complex, Bukit Jalil, Kuala Lumpur

The higher gross profit and gross profit margin derived from this project was due to this project being an infrastructure upgrading and landscaping works which generally required lesser work and shorter timeframe for implementation as compared to our conventional infrastructure works. For instance, a drainage upgrading work does not require deep trench excavation prior to the installation of new drainage structures as the initial trench has already been formed. Under such circumstances and coupled with proper cost planning, our Group was able to carry out and complete the drainage upgrading works for this project at a lower cost and shorter duration, thereby achieving better efficiency and cost savings in our work. Purely for information purposes, the other landscaping works for this project includes but not limited to planting of trees within the stadium boundaries, reinforcement in external ground floor slabs, car park resurfacing works with new tarmac as well as the construction of vehicular and pedestrian bridges within the project site.

Support services

The gross profit margin for sale of construction materials decreased from approximately 18.2% in the FYE 31 December 2015 to approximately 13.0% in the FYE 31 December 2016. The lower gross profit margin was mainly attributed to higher average purchase price for quarry products as compared to the previous financial year.

The gross profit margin for ad hoc general construction services/ daywork improved from approximately 46.8% in the FYE 31 December 2015 to approximately 72.7% in the FYE 31 December 2016. The gross profit contribution from ad hoc general construction services/ daywork was mainly derived from the following projects:-

Project details	Revenue RM'000
Infrastructure rectification works (i.e. repair of sewer pipeline and manholes and removal of sediment at detention pond) at Bandar Sultan Suleiman, Klang, Selangor	2,576

The overall gross profit margin for the FYE 31 December 2016 was 27.3% as compared to 22.3% in the FYE 31 December 2015, mainly in tandem with the abovementioned higher gross profit recorded for our construction services coupled with higher gross profit recorded for our ad hoc general construction services/ daywork for the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)**iv. Other income**

Our other income for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 are set out below:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Commission charge received* ¹	634	_ ^{*10}	_ ^{*10}
Fair value adjustment* ²	308	-	-
Compensation received from litigation settlement* ³	-	1,512	1,019
Gain on disposal of property, plant and equipment* ⁴	640	600	659
Gain on disposal of investment property* ⁵	-	-	139
Insurance claim* ⁶	594	2,608	569
Interest income* ⁷	341	506	573
Reversal of allowance for impairment loss* ⁸	-	926	227
Others* ⁹	394	11	285
Total	2,911	6,163	3,471

Notes:-

*¹ Commission charge received relates to commission received from our subcontractors for the sale of construction materials. As the sale of construction materials was not a principal activity of Advancecon Infra in 2014, the sale was not recognised as a revenue and only the commission received from the sale of construction materials was recorded in 2014. Subsequent to the streamlining of operations of our Group in 2015, Advancecon Infra assumed the business activities of Advancecon Rock and Advancecon Trading, as such, sale of construction materials is recorded as revenue to Advancecon Infra from 2015 onwards

*² Fair value adjustment relates to the accretion of interest on retention sum

*³ Compensation received from litigation settlement relates to a court case against a construction company where a judgment in favour of Advancecon was awarded on 29 December 2015 for a total amount of RM3.42 million comprising the principal amount together with interest accrued

Out of the total amount of RM3.42 million, we had recognised RM1.51 million in the form of compensation received from litigation settlement and RM0.91 million from the reversal of allowance for impairment loss related to the said company in the FYE 31 December 2015. However, the remaining of RM1.00 million was held in our solicitor's stakeholding account pending the outcome from the Court of Appeal during then

Subsequently in the FYE 31 December 2016, we had received the balance of RM1.00 million together with interest accrued of RM0.02 million from the RM1.00 million held in the stakeholding account, being the aggregate balance compensation sum which was released to Advancecon on 10 October 2016 pursuant to the Court of Appeal's decision in favour of Advancecon. Therefore, the total compensation received from the litigation settlement amounts to RM3.44 million

11. FINANCIAL INFORMATION (CONT'D)

- *4 Gain on disposal of property, plant and equipment relates to the disposal of machinery
- *5 One (1) parcel of leasehold land classified as investment property had been disposed of. The difference between the disposal proceeds and the NBV is recognised as a gain
- *6 Insurance claim relates to claims that are covered under our Group's insurance policies. Our Group procures insurance coverage against burglary, fire, theft, mobile and heavy equipment, workmen's compensation and contractor's all risks. Our insurance claim mainly relates to settlement of theft for our motor vehicles and machinery and fire damage to our machinery at our project sites
- *7 Interest income is derived from deposits placed with licenced banks
- *8 Reversal of impairment loss mainly relates to the compensation arising from the court case against a construction company amounting to RM0.91 million in the FYE 31 December 2015 and recovery of receivables from two (2) trading customers amounting to RM0.02 million and RM0.23 million in the FYE 31 December 2015 and the FYE 31 December 2016, respectively
- *9 Others mainly consist of administrative income, casual wages received, discount received, labour charges received, management charges, sundry income, transport charges and rental received
- *10 Negligible

For the FYE 31 December 2014, our other income decreased by approximately RM5.11 million from RM8.02 million in the FYE 31 December 2013 to RM2.91 million in the FYE 31 December 2014 mainly due to the absence of the one-off gain on the disposal of properties recorded in the FYE 31 December 2013 amounting to approximately RM3.34 million. The decrease in other income was also attributable to lower gains on the disposal of fixed assets arising from lesser units of machinery disposed of in the financial year under review which mainly consists of 14 units of excavators, seven (7) units of lorries and one (1) unit of motor grader. However, we recorded an increased in insurance claim of RM0.37 million mainly due to settlement of theft of two (2) units of excavator parts amounting to approximately RM0.25 million and damage caused by an accident to one (1) unit of excavator amounting to approximately RM0.18 million.

For the FYE 31 December 2015, our other income increased by approximately RM3.25 million from RM2.91 million in the FYE 31 December 2014 to RM6.16 million in the FYE 31 December 2015 mainly due to an increase in insurance claims of RM2.01 million as a result of landslide and fire damage, robbery and sinking of four (4) units of excavators amounting to approximately RM1.60 million, settlement of theft for two (2) units of motor vehicles amounting to approximately RM0.56 million and claim for site flooding which resulted in damages to third party property at Setia Ecohill, Semenyih amounting to approximately RM0.34 million. The increase in other income was also attributable to compensation received from litigation settlement against a construction company amounting to RM1.51 million and RM0.91 million of impairment loss recovered through the litigation settlement as well. Please refer to Section 11.4.7 of this Prospectus for details on the material litigation.

11. FINANCIAL INFORMATION (CONT'D)

For the FYE 31 December 2016, our other income decreased by approximately RM2.69 million from RM6.16 million in the FYE 31 December 2015 to RM3.47 million in the FYE 31 December 2016. As highlighted above, the higher other income recorded in the FYE 31 December 2015 was mainly due to the income recorded amounting to RM2.61 million from insurance claims and RM1.51 million from the compensation received from litigation settlement. For the FYE 31 December 2016, the other income recorded mainly comprises compensation received from litigation settlement amounting to RM1.02 million, being the aggregate balance compensation sum which was released to Advancecon on 10 October 2016 pursuant to the Court of Appeal's decision in favour of Advancecon. We also recorded gain from disposal of fixed assets amounting to RM0.66 million which mainly consists of 13 units of excavators and 13 units of bulldozers as well as insurance claims amounting to RM0.57 million mainly due to fire damage to one (1) unit of excavator at Setia Ecohill amounting to RM0.33 million.

v. Administrative expenses

Our administrative expenses for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 are set out below:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Administrative staff costs *1	6,749	9,769	11,934
Motor vehicle upkeep *2	1,745	1,965	2,093
Office upkeep *3	1,043	730	1,048
Insurance premium*4	1,389	1,470	1,313
Bank charges	614	552	1,142
Professional fees*5	829	1,101	2,029
Others*6	687	2,025	2,392
Total	13,056	17,612	21,951

Notes:-

*1 Administrative staff costs mainly consist of salaries and bonuses, social security costs, pension costs - defined contribution plans, travelling expenses and other staff related expenses which are not directly involved in the construction projects

*2 Motor vehicle maintenance consist of repairs and maintenance, petrol and diesel, road tax, toll fee, and other upkeep of motor vehicle expenses

*3 Office upkeep consist of printing and stationeries, telephone charges, office maintenance, water charges, electricity charges, postage, office cleaning services, quit rent, rates, assessments, other upkeep of office expenses and rental of office premises

*4 Insurance premium consist of premium payable for machinery, motor vehicles and staff

*5 Professional fees consist of audit fees, legal fees, secretarial fees and other professional fees

11. FINANCIAL INFORMATION (CONT'D)

*6 Others consist of advertisement, donations, entertainment, tender fee, present and gifts, stamp duty, miscellaneous expenses which includes sinking fund, minor assets, condolence fee, security fee, compensation, service charges, renewal of CIDB green card and other related expenses

For the FYE 31 December 2014, our administrative expenses increased by approximately RM2.05 million from RM11.01 million in the FYE 31 December 2013 to RM13.06 million in the FYE 31 December 2014 mainly due to an increase in administrative staff costs by RM1.13 million. The increase in administrative staff cost is in line with the increase in the number of employees in our Group from 31 in 2013 to 39 in 2014. The increase in administrative expense was also attributable to the increase in motor vehicles upkeep by RM0.23 million and increase in insurance premium by RM0.39 million which is in tandem with the increase in number of motor vehicles from 94 units in the FYE 31 December 2013 to 116 units in the FYE 31 December 2014. The increase in motor vehicles upkeep as well as insurance premium were in line with our business expansion during the financial year under review.

For the FYE 31 December 2015, our administrative expenses increased by approximately RM4.55 million from RM13.06 million in the FYE 31 December 2014 to RM17.61 million in the FYE 31 December 2015 mainly due to an increase in administrative staff costs by RM3.02 million. The increase in administrative staff cost is in line with the increase in the number of employees in our Group from 39 in 2014 to 58 in 2015. The increase in administrative expenses was also attributable to the increase in motor vehicles upkeep by RM0.22 million as well as insurance premium by RM0.08 million which is in tandem with the increase in number of motor vehicles from 116 units in the FYE 31 December 2014 to 147 units in the FYE 31 December 2015. The increase in motor vehicle upkeep as well as insurance premium was in line with our business expansion during the financial year under review.

For the FYE 31 December 2016, our administrative expenses increased by approximately RM4.34 million from RM17.61 million in the FYE 31 December 2015 to RM21.95 million in the FYE 31 December 2016 mainly due to an increase in administrative staff costs by RM2.16 million. The increase in administrative staff cost is in line with the increase in the number of employees in our Group from 58 in 2015 to 60 in 2016, salary increments as well as increase in directors' remuneration (mainly executive directors remuneration) during the FYE 31 December 2016. In addition, the increase in administrative expenses was also attributable to the increase in professional fees incurred with regards to our IPO by approximately RM0.93 million as well as bank charges by RM0.59 million as a result of charges on bank guarantees mainly for our West Coast Expressway (WCE) Interchange project and Bukit Jalil project amounting to RM0.66 million and RM0.12 million, respectively.

11. FINANCIAL INFORMATION (CONT'D)**vi. Other operating expenses**

Our other operating expenses for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 is set out below:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Depreciation	1,360	1,688	2,186
Fair value adjustment	84	-	-
Impairment loss on goodwill	1,282	-	-
Write off of fixed asset	711	628	74
Allowance for impairment loss on trade receivables	1,786	39	-
Depreciation of investment properties	59	183	481
Others* ¹	1	- ¹	-
Total	5,283	2,538	2,741

Note:-

*¹ Negligible

For the FYE 31 December 2014, our other operating expenses increased by approximately RM3.67 million from RM1.61 million in the FYE 31 December 2013 to RM5.28 million in the FYE 31 December 2014 mainly due to the allowance for impairment loss on trade receivables from certain trade debtors amounting to RM1.79 million. The allowance for impairment loss included a receivable sum from a construction company amounting to RM0.91 million which was subsequently recovered as compensation received from litigation settlement against the said construction company in 2015. The increase in other operating expenses was also due to impairment loss on goodwill attributable to our subsidiary companies, namely SK-II Tipper Truck Services and Advancecon Rock. Further, the increase in other operating expenses was also due to write off of fixed asset mainly comprise of one (1) unit of excavator amounting to approximately RM0.69 million arising from landslide damage.

For the FYE 31 December 2015, our other operating expenses decreased by approximately RM2.74 million from RM5.28 million in the FYE 31 December 2014 to RM2.54 million in the FYE 31 December 2015 mainly due to lower allowance for impairment loss recognised during the financial year under review. The decrease in other operating expenses was also attributable to the absence of one-off recognition of impairment loss on goodwill by RM1.28 million in the FYE 31 December 2014. However, depreciation for fixed asset increased by RM0.33 million, mainly as a result of the increase in number of motor vehicles acquired from 116 units in the FYE 31 December 2014 to 147 units in the FYE 31 December 2015. Further, we recorded a write off of fixed asset which mainly comprises two (2) units of motor vehicles amounting to approximately RM0.53 million.

11. FINANCIAL INFORMATION (CONT'D)

For the FYE 31 December 2016, our other operating expenses increased by approximately RM0.20 million from RM2.54 million in the FYE 31 December 2015 to RM2.74 million in the FYE 31 December 2016 mainly due to higher depreciation expenses recorded during the financial year under review. Depreciation for fixed asset increased by approximately RM0.50 million, mainly as a result of the increase in number of motor vehicles acquired from 147 units in the FYE 31 December 2015 to 161 units in the FYE 31 December 2016.

vii. Finance costs

Our finance costs for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 were RM4.20 million, RM4.91 million and RM5.69 million, respectively.

For the FYE 31 December 2014, our finance cost increased by approximately RM1.58 million from RM2.62 million in the FYE 31 December 2013 to RM4.20 million in the FYE 31 December 2014 due to the increase in interest incurred on additional credit facilities with the contractual fixed interest rate ranging from 4.0% to 7.2% per annum to finance the purchase of additional machinery amounting to an aggregate of RM39.16 million and to fund the working capital requirements of our Group for our construction services.

For the FYE 31 December 2015, our finance cost increased by approximately RM0.71 million from RM4.20 million in the FYE 31 December 2014 to RM4.91 million in the FYE 31 December 2015 due to the increase in interest incurred on additional credit facilities with the contractual fixed interest rate ranging from 4.9% to 8.4% per annum to fund the working capital requirements for our Group and the interest incurred for our hire purchase to finance the purchase of new machinery.

For the FYE 31 December 2016, our finance cost increased by approximately RM0.78 million from RM4.91 million in the FYE 31 December 2015 to RM5.69 million in the FYE 31 December 2016 due to the increase in interest incurred on additional credit facilities with the contractual fixed interest rate ranging from 4.3% to 8.3% per annum to finance the purchase of additional machinery amounting to an aggregate of RM24.63 million and to fund the working capital requirements of our Group for our construction services.

viii. PBT and PBT margin

We recorded PBT of approximately RM29.85 million, RM39.98 million and RM37.15 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Our PBT margin was approximately 14.9%, 15.1% and 15.8% for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE December 2016, respectively.

For the FYE 31 December 2014, our PBT increased by approximately RM7.21 million, representing an increase of approximately 31.8% as compared to the FYE 31 December 2013, however our PBT margin decreased by 0.3%, representing a decrease of approximately 2.0% as compared to the FYE 31 December 2013. The increase in PBT is attributable to the increase in gross profit during the financial year under review. The decrease in PBT margin is mainly due to higher other operating expenses coupled with lower other income recorded as elaborated in Sections 11.3(iv) and 11.3(vi) of this Prospectus, respectively.

11. FINANCIAL INFORMATION (CONT'D)

For the FYE 31 December 2015, our PBT increased by approximately RM10.13 million, representing an increase of approximately 33.9% as compared to the FYE 31 December 2014 whereas our PBT margin improved by 0.2%, representing an increase of approximately 1.3% as compared to the FYE 31 December 2014. The increase in PBT is attributable to the increase in gross profit as well as the increase in other income recorded during the financial year under review. The increase in PBT margin is mainly due to the higher gross profit and other income recorded as elaborated in Sections 11.3(iii) and 11.3(iv) of this Prospectus, respectively.

For the FYE 31 December 2016, our PBT decreased by approximately RM2.83 million, representing a decrease of approximately 7.1% as compared to the FYE 31 December 2015 whereas our PBT margin improved by 0.7%, representing an increase of approximately 4.6% as compared to the FYE 31 December 2015. The decrease in PBT is attributable to the increase in administrative expenses and the decrease in other income recorded which was partly offset by the increase gross profit recorded during the financial year under review. However, the increase in PBT margin is mainly due to the higher gross profit recorded as elaborated in Section 11.3(iii) of this Prospectus.

ix. Income tax expense

We recorded effective tax rates of 28.3%, 25.1% and 28.8% for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. The applicable statutory tax rate was 25.0% for the FYE 31 December 2014 and the FYE 31 December 2015, and 24.0% for the FYE 31 December 2016. The reconciliation of income tax expense applicable to our PBT at the statutory tax rate to income tax expense at the effective tax rate of our Group for the past three (3) financial years are set out below:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
PBT	29,850	39,979	37,146
Tax at the statutory tax rate of 25% for the FYE 31 December 2014 and the FYE 31 December 2015 and 24% for the FYE 31 December 2016	7,462	9,995	8,915
Tax effects of:-			
Non-deductible expenses	1,187	1,203	2,057
Non-taxable gains	(80)	(1,102)	(147)
Effects of change in corporate income tax rate from 25% to 24% on deferred tax	-	-	(156)
Deferred tax assets not recognised during the financial year	23	17	49
Utilisation of deferred tax assets not recognised in the previous financial year	(19)	(3)	(1)
Under/ (Over) provision in the previous financial year:-			
- current tax	(60)	(268)	133
- deferred tax	51	287	(152)
Differential in tax rates	(125)	(90)	-
Income tax expense for the financial year	8,439	10,039	10,698
Effective tax rate for the financial year (%)	28.3	25.1	28.8

11. FINANCIAL INFORMATION (CONT'D)

For the FYE 31 December 2014, our effective tax rate of 28.3% was higher than the applicable statutory tax rate mainly due to the non-deductible expenses amounting to RM1.19 million which is higher than the non-taxable gains amounting to RM0.08 million.

For the FYE 31 December 2015, our effective tax rate of 25.1% was consistent with the applicable statutory tax rate.

For the FYE 31 December 2016, our effective tax rate of 28.8% was higher than the applicable statutory tax rate mainly due to the non-deductible expenses amounting to RM2.06 million which is higher than the non-taxable gains amounting to RM0.15 million and effect of change in corporate income tax rate 25% to 24% on deferred tax amounting to RM0.16 million.

x. PAT and PAT margin

We recorded PAT of approximately RM21.41 million, RM29.94 million and RM26.45 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Our PAT margin was approximately 10.7%, 11.3% and 11.3% for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE December 2016, respectively.

For the FYE 31 December 2014, our PAT increased by approximately RM3.85 million, representing an increase of approximately 21.9% as compared to the FYE 31 December 2013, however our PAT margin decreased by 1.1%, representing a decrease of approximately 9.3% as compared to the FYE 31 December 2013. The decrease is mainly due to the higher other operating expenses coupled with lower other income recorded.

For the FYE 31 December 2015, our PAT increased by approximately RM8.53 million, representing an increase of approximately 39.8% as compared to the FYE 31 December 2014 whereas our PAT margin increased by 0.6%, representing an increase of approximately 5.6% as compared to the FYE 31 December 2014. The increase is mainly due to the higher gross profit and higher other income recorded.

For the FYE 31 December 2016, our PAT decreased by approximately RM3.49 million, representing a decrease of approximately 11.7% as compared to the FYE 31 December 2015. However, our PAT margin remained consistent at 11.3% for the FYE 31 December 2015 and the FYE 31 December 2016.

xi. Total non-current assets and current assets

We recorded total non-current assets of approximately RM104.28 million, RM132.73 million and RM136.16 million as at the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Our current assets was approximately RM112.87 million, RM134.54 million and RM159.72 million as at the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

11. FINANCIAL INFORMATION (CONT'D)

FYE 31 December 2014

For the FYE 31 December 2014, our total non-current assets increased by approximately RM27.60 million to RM104.28 million, representing an increase of approximately 36.0% as compared to the FYE 31 December 2013. The increase was mainly attributable to the purchase of new property, plant and equipment amounting to RM42.68 million, of which RM39.16 million was relating to purchase of new machinery for our business expansion. We had mainly acquired additional 44 units of dump trucks, 14 units of excavators, nine (9) units of bulldozers and four (4) units of compactors to cater for our construction services.

Our total current assets increased by approximately RM28.69 million to RM112.87 million, representing an increase of approximately 34.1% as compared to the FYE 31 December 2013. The increase was mainly attributable to the increase in our trade receivables by approximately RM46.02 million which was in line with the increase in our revenue from RM148.51 million in the FYE 31 December 2013 to RM199.81 million in the FYE 31 December 2014.

FYE 31 December 2015

For the FYE 31 December 2015, our total non-current assets increased by approximately RM28.45 million to RM132.73 million, representing an increase of approximately 27.3% as compared to the FYE 31 December 2014. The increase was mainly attributable to the purchase of 11 units of investment properties amounting to RM29.83 million. Please refer to Section 6.1.2 of this Prospectus for further details.

Our total current assets increased by approximately RM21.67 million to RM134.54 million, representing an increase of approximately 19.2% as compared to the FYE 31 December 2014. The increase was mainly attributable to the increase in our trade receivables by RM14.63 million which was in line with the increase in our revenue from RM199.81 million in the FYE 31 December 2014 to RM264.31 million in the FYE 31 December 2015.

FYE 31 December 2016

For the FYE 31 December 2016, our total non-current assets increased by approximately RM3.43 million to RM136.16 million, representing an increase of approximately 2.6% as compared to the FYE 31 December 2015. The increase was mainly attributable to the purchase of new property, plant and equipment amounting to approximately RM28.36 million. We had mainly acquired additional 22 units of dump trucks, 22 units of excavators, eight (8) units of compactors and one (1) unit of bulldozer to cater primarily to our construction services and was partially offset by the disposal of one (1) parcel of leasehold land with a NBV of RM7.06 million.

Our total current assets increased by approximately RM25.18 million to RM159.72 million, representing an increase of approximately 18.7% as compared to the FYE 31 December 2015. The increase was mainly attributable to the increase in trade receivables by RM22.87 million.

11. FINANCIAL INFORMATION (CONT'D)

xii. Total non-current liabilities and current liabilities

We recorded total non-current liabilities of approximately RM36.83 million, RM39.22 million and RM47.44 million as at the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Our total current liabilities was approximately RM116.59 million, RM134.38 million and RM142.82 million as at the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

FYE 31 December 2014

For the FYE 31 December 2014, our total non-current liabilities increased by approximately RM8.96 million to RM36.83 million, representing an increase of approximately 32.1% as compared to the FYE 31 December 2013. The increase was mainly attributable to the increase in long term borrowings as a result of the increase in hire purchase for the purchase of new machinery.

Our total current liabilities increased by approximately RM25.92 million to RM116.59 million, representing an increase of approximately 28.6% as compared to the FYE 31 December 2013. The increase was mainly attributable to increase in trade payables which was in line with the increased in our cost of sales arising from the increase in our revenue. The increase was also attributable to the increase in short term borrowings and bank overdrafts. The increase in short term borrowings was mainly due to the increase in hire purchase for the purchase of new machinery and we utilised bank overdrafts for our working capital requirements.

FYE 31 December 2015

For the FYE 31 December 2015, our total non-current liabilities increased by approximately RM2.39 million to RM39.22 million, representing an increase of approximately 6.5% as compared to the FYE 31 December 2014. The increase was mainly attributable to the increase in other payables as a result of the deferred payment arrangement with a property developer for our Group's purchase of two (2) parcels of residential land and one (1) unit of condominium, all located in Selangor under our property investment business. Further details on the deferred payment arrangement are set out in Section 15.6 of this Prospectus.

Our total current liabilities increased by approximately RM17.79 million to RM134.38 million, representing an increase of approximately 15.3% as compared to the FYE 31 December 2014. The increase was mainly attributable to the increase in trade payables which was in line with the increased cost of sales arising from increase in our revenue. The increase was also attributable to the increase in short term borrowings and bank overdrafts to fund our working capital requirements.

FYE 31 December 2016

For the FYE 31 December 2016, our total non-current liabilities increased by approximately RM8.22 million to RM47.44 million, representing an increase of approximately 21.0% as compared to the FYE 31 December 2015. The increase was mainly attributable to the increase in long term borrowings as a result of the increase in hire purchase for the purchase of new machinery.

11. FINANCIAL INFORMATION (CONT'D)

Our total current liabilities increased by approximately RM8.44 million to RM142.82 million, representing an increase of approximately 6.3% as compared to the FYE 31 December 2015. The increase was mainly attributable to the dividend payable amounting to RM9.50 million in respect of the interim dividends for the FYE 31 December 2016 which was subsequently paid in full to the shareholders of the Company in February 2017. For the avoidance of doubt, we had declared a total dividend payment of RM14.50 million in the FYE 31 December 2016, of which RM5.00 million was paid in the financial year.

Net current liabilities position and net current asset position

For information purposes, our Group recorded net current liabilities of approximately RM3.72 million for the FYE 31 December 2014. Our Group recorded net current asset of approximately RM0.16 million for the FYE 31 December 2015 and RM16.90 million for the FYE 31 December 2016 as set out in the following table:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Total current assets	112,873	134,544	159,724
Total current liability	116,592	134,381	142,823
Net current assets/ (Net current liabilities)	(3,719)	163	16,901

One of the major contributing factors of our net current liabilities position for the FYE 31 December 2014 was the purchase of new machinery being financed through hire purchase financing with a repayment period of three (3) years. A majority of our hire purchase financing have a repayment period of three (3) years due to our Group's debt repayment plan to enjoy lower interest costs and shorter repayment period. As at 31 December 2016, 114 out of 215, representing approximately 53.0% of our total hire purchase agreements in relation to the purchase of machinery had a repayment period of three (3) years.

As a result of the repayment period, the machinery were classified under non-current assets but the hire purchase financing were classified under current liabilities for outstanding balances that were repayable within one (1) year and non-current liabilities for outstanding balances that were due after one (1) year. Further breakdown on the outstanding balances of our hire purchase financing for the past three (3) financial years up to the FYE 31 December 2016 is set in the table below:-

	<-----FYE 31 December----->		
	2014	2015	2016
	RM'000	RM'000	RM'000
Hire purchase payments			
Current liabilities	23,927	23,433	15,245
- repayable within one (1) year			
Non-current liabilities	26,529	15,683	19,249
- repayable later than one (1) year but not later than five (5) years			
Total	50,456	39,116	34,494

11. FINANCIAL INFORMATION (CONT'D)

In the past, our hire purchase financing classified under current liabilities was on an increasing trend and recorded the highest in the FYE 31 December 2014, amounting to approximately RM23.93 million. Such increase was mainly attributable towards the expansion of our business, in particular, for the acquisition of excavators and tipper trucks to carry out earthworks and road construction works. As a result, the acquisitions of machinery being financed through short term borrowings had resulted in a significant increase in our current liabilities for the FYE 31 December 2014, which was not matched by a proportional increase in our current assets, causing a temporary mismatch between our Group's current asset and current liability and gave rise to a net current liability position.

Notwithstanding the temporary mismatch between current asset and current liability due to acquisition of machinery via short term borrowings remained in the FYE 31 December 2015, we had managed to achieve a net current assets position since the FYE 31 December 2015, mainly attributable to a significant portion of our hire purchase amounting to RM22.61 million had been repaid in the FYE 31 December 2015, our hire purchase decreased by approximately RM11.34 million or approximately 22.5% to RM39.12 million as compared to the FYE 31 December 2014. In tandem with the growth in our Group's business, the increase in our Group's current asset had outpaced the increase in current liabilities, resulting in a net current asset of approximately RM0.16 million in the FYE 31 December 2015. Our net current asset position has further improved in the FYE 31 December 2016, amounting to approximately RM16.90 million.

For the avoidance of doubt, none of our borrowings had been recalled by our banks before their respective maturity date throughout the financial years under review. In addition, our gearing ratio had decreased from 1.06 times in the FYE 31 December 2014 to 0.88 times in the FYE 31 December 2015 and further decreased to 0.81 times in the FYE 31 December 2016, respectively. We had also been able to generate sufficient positive cash flow to maintain and grow our business operations, as evidenced by our Group's positive net cash from operating activities of RM32.12 million, RM32.69 million and RM23.29 million for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

xiii. Issued capital and reserves

We recorded issued capital and reserves of RM63.73 million, RM93.67 million and RM105.62 million as at the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016, respectively.

For the FYE 31 December 2014, our issued capital and reserves increased by approximately RM21.41 million to RM63.73 million as compared to the FYE 31 December 2013 mainly attributable to the increase in retained profit recorded for the financial year under review and partially offset by the interim dividends payment amounting to RM1.5 million.

For the FYE 31 December 2015, our issued capital and reserves increased by approximately RM29.94 million to RM93.67 million as compared to the FYE 31 December 2014 mainly attributable to the increase in retained profit recorded for the financial year under review.

For the FYE 31 December 2016, our issued capital and reserves increased by approximately RM11.95 million to RM105.62 million as compared to the FYE 31 December 2015 mainly attributable to the increase in retained profit and partially offset by the interim dividends declared amounting to RM14.50 million in the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

11.3.1 Factors and trends affecting future financial condition and results

Our Groups' financial condition and results of operations have been, and will continue to be affected by, amongst others, the following key factors:-

- i. Demand and supply conditions for our construction and support services business segment as set out in Section 7 of this Prospectus;
- ii. The number of projects awarded by public listed companies and private companies in Malaysia, who are mainly property developers. However, the growth of the earthworks and civil engineering market in the construction industry as set out in Section 7 of this Prospectus is expected to benefit our overall business;
- iii. The continued renewal of our Grade "7" contractor registration with CIDB. The registration with CIDB enables us to tender for Government and private sector projects of any size and with unlimited value within the categories of works which we are licensed to carry out;
- iv. The procurement of the services provided by our subcontractors under our civil engineering services. As subcontractor costs is the major component of our total cost of sales, we have periodically assessed our subcontractors as to their ability to deliver their services in a timely and satisfactory manner as any non-performance of works within the prescribed timeline by our subcontractors may result in claims in damages and penalties against us, which translates into lower profit margins from our projects.

Moreover, historically we have leveraged on our long-term relationship with our customers whereupon we have obtained constant referrals from our existing customers for future projects. We have constantly endeavoured to ensure that our subcontractors deliver their services within the projects' timeline and specifications, as any failure to do so will affect our relationship with our customers; and

- v. Retention of our existing key management as well as our ability to attract, hire, train and motivate sufficient skilled personnel. As our Group's involvement in earthworks and civil engineering services requires the expertise from our employees, which generally comes with the vast experience from involvement in previous projects, it is imperative that we retain and continuously grow our employees. Any departure of our key management may have an adverse effect on our operations.

After taking into consideration the above factors, risk factors relating to our business and industry and our ability to mitigate such risk factors as set out in Section 4 of this Prospectus, as well as our competitive strengths and advantages as set out in Section 6.3 of this Prospectus, our future financial condition and results are expected to remain sustainable.

11. FINANCIAL INFORMATION (CONT'D)

11.3.2 Impact of foreign exchange/ interest rates/ commodity prices on operating profits

Our business operations, customers and suppliers are within Malaysia. As such, there is no impact of foreign exchanges on the operating profits of our Group for the past three (3) financial years up to the FYE 31 December 2016. Accordingly, we do not require any hedging policies nor we have entered into any forward contracts in respect of our foreign exchange exposure.

As at the 31 December 2016, our total short-term and long-term borrowings amounted to approximately RM85.35 million, all of which are domestic borrowings and interest-bearing. Given that the interest charged on bank borrowings is depending on interest rates and the total outstanding loans, future fluctuation of interest rates could affect our profitability. However, as at the 31 December 2016, approximately 40.4% of our total interest-bearing borrowings are mainly derived from the hire purchase for the acquisition of machinery for our business operation and the remaining 59.6% are derived from variable-rate borrowings such as bank overdrafts, term loans, bankers' acceptances and revolving credit to finance our working capital requirements as well as term loan for our property investment. Unlike variable-rate borrowings, the interest rates for hire purchase payables are generally fixed over the repayment period. As such, the fluctuation of interest rates does not have any material impact on our operating profit.

Notwithstanding the above, in the event we decide to procure additional variable-rate borrowings to finance our working capital requirements, any fluctuation of interest rates comprised in such borrowings may affect our profitability.

We mainly consume diesel as raw materials which are mainly required as fuel used in the operation of our machinery and equipment. Diesel is an oil-based substance that is produced from the fractional distillation of crude oil, of which the prices fluctuate according to world prices due to forces of demand and supply. As such, we are exposed to the crude oil price fluctuation and any adverse increase in the price may materially affect our financial performance.

There was no material impact of foreign exchange, interest rates and commodity prices on our historical profits for the past three (3) financial years up to the FYE 31 December 2016.

11.3.3 Impact of inflation

There was no material impact of inflation on our historical profits for the past three (3) financial years up to the FYE 31 December 2016.

11.3.4 Government/ economic/ fiscal or monetary policies

Risks relating to government, economic, fiscal or monetary policies or factors, which may materially affect our operations, are set out in Section 4 of this Prospectus.

There was no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past three (3) financial years up to the FYE 31 December 2016.

11. FINANCIAL INFORMATION (CONT'D)

11.4 Liquidity and capital resources

11.4.1 Working capital

Our Group has been financing our operations through cash generated from our operations and external sources of funds. We have also recorded positive net cash flow from operating activities for the past three (3) financial years up to the FYE 31 December 2016. Our Group's external source of funds mainly comprises of borrowings. The principal uses of these funds are for working capital requirements such payment of trade payables, financing of trade receivables balances and operating expenses as well as purchase of new machinery.

Our Directors are of the opinion that, after taking into consideration the cash flow position and the net proceeds from the Public Issue, our Group will have adequate working capital for our existing business for a period of 12 months from the date of this Prospectus.

11.4.2 Cash flows

A summary of our Group's historical audited consolidated statement of cash flow for the past three (3) financial years up to the FYE 31 December 2016 as disclosed in Section 11.1.3 of this Prospectus is set out below:-

Cash Flow	<-----Audited-----> <-----FYE 31 December----->		
	2014 RM'000	2015 RM'000	2016 RM'000
Net cash generated from operating activities	32,116	32,688	23,285
Net cash used in investing activities	(3,409)	(34,437)	(2,839)
Net cash used in 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 year	(3,218)	(11,379)	(6,008)

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 RM'000	2015 RM'000	2016 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. FINANCIAL INFORMATION (CONT'D)

There are no legal, financial or economic restrictions on the ability of our Subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances. As at the LPD, some of our existing banking facilities require us to seek the prior approval from our financial institutions for dividend payment. However, we do not expect such approval to be unreasonably withheld by the financial institutions.

Over the past three (3) financial years up to the FYE 31 December 2016, the negative cash and cash equivalent position recorded by our Group was mainly due to our Group's financing activities specifically on the repayment of hire purchase obligations. Our Group had been practising an aggressive repayment period of three (3) years for any new acquisition of machinery through hire purchase financing to enjoy lower interest costs and shorter repayment period.

The total repayment of hire purchase made by our Group for the past three (3) financial years up to the FYE 31 December 2016 amounted to RM23.81 million, RM22.61 million and RM24.74 million, representing approximately 35.3%, 27.3% and 29.0% of our total borrowings incurred during the past three (3) financial years up to the FYE 31 December 2016, respectively.

For clarity, as at the LPD, the total outstanding hire purchase of our Group stood at approximately RM32.02 million, of which RM12.08 million representing approximately 37.7% of the total outstanding hire purchase financing is repayable within one (1) year whilst the remaining RM19.94 million representing approximately 62.3% of the total outstanding hire purchase financing is repayable later than one (1) year but not more than five (5) years, which can be seen as follows:-

Hire purchase payments	As at the LPD RM'000	Full settlement
Current liabilities - repayable within one (1) year	12,082	By April 2018
Non-current liabilities	19,936	
- repayable later than one (1) year but not later than two (2) years	6,173	By April 2019
- repayable later than two (2) years but not later than five (5) years	13,763	By April 2022
Total	32,018	

Following the full repayment of our short term hire purchase obligations of RM12.08 million by April 2018, our Group's cash and cash equivalent position is expected to improve which would provide us the liquidity of cash flows to the Group for future cash flows requirements.

Further, out of the total outstanding hire purchase as at the LPD of RM32.02 million, RM6.17 million or approximately 19.3% of the total outstanding hire purchase financing had a repayment period of two (2) years which will be fully repaid by April 2019. The remaining balance of hire purchase amounting to RM13.76 million or approximately 43.0% of the total outstanding hire purchase financing had a repayment period of five (5) years which will be fully repaid by April 2022.

11. FINANCIAL INFORMATION (CONT'D)

For information purposes, our Board has adopted a conservative approach on our Group's debt repayment strategy by obtaining new hire purchase with repayment term of five (5) years instead of three (3) years. As such, any new hire purchase obtained by our Group for the purchase of any new machinery will be repaid over a period of five (5) years. Furthermore, our Group has been gradually repaying off our hire purchase obligations which had a three (3)-year repayment period over the financial years under review. Following the full repayment of our remaining hire purchase obligations of RM6.17 million by April 2019, our Group will only have hire purchase with repayment term of five (5) years by then which would allow the Group to benefit from lower monthly repayment and improved liquidity of cash flows to the Group.

Notwithstanding the negative cash and cash equivalent position recorded by our Group, we were able to generate positive net cash from operating activities of approximately RM32.12 million, RM32.69 million and RM23.29 million over the past three (3) financial years up to the FYE 31 December 2016, respectively. During the same financial years under review, our Group had also been able to generate positive free cash flow to firm of RM35.10 million, RM3.75 million and RM30.43 million, respectively, the detailed computations of which are as follows:-

	<-----Audited----->		
	< -----FYE 31 December----- >		
	2014 ^{*1}	2015 ^{*1}	2016 ^{*1}
	RM'000	RM'000	RM'000
Net cash from operating activities	32,116	32,688	23,285
Add:-			
After-tax interest expense ^{*2}	3,134	3,679	4,327
(Less)/ Add:-			
Net investments in fixed capital ^{*3}	(155)	(32,616)	2,817
Free cash flow to firm	35,095	3,751	30,429

Notes:-

- ^{*1} Based on the Group's audited consolidated statements of cash flow for the respective financial years
- ^{*2} Based on interest paid during the financial year after deducting statutory tax rate of 25% for the FYE 31 December 2014 and the FYE 31 December 2015 and 24% for the FYE 31 December 2016
- ^{*3} Based on total cash paid for the purchase of property, plant and equipment and investment properties less proceeds from the disposal of property, plant and equipment and investment properties for the respective financial years

Nevertheless, as highlighted above, the Board has adopted a conservative approach on our Group's debt repayment practice by obtaining new hire purchase with repayment term of five (5) years instead of three (3) years as a measure to further improve our Group's cash and cash equivalent position at end of the financial year. Such strategy is part of our Group's effort to match the repayment term of the Group's hire purchase facilities more closely to the average lifespan of our machinery of eight (8) years which would provide more flexibility and liquidity of cash flows to our Group.

11. FINANCIAL INFORMATION (CONT'D)

FYE 31 December 2014

Net cash generated from operating activities

For the FYE 31 December 2014, we generated operating cash flows before working capital changes amounting to approximately RM48.77 million. After accounting for key items set out below, our Group's net cash from operating activities was approximately RM32.12 million:-

- (a) RM45.61 million increase in trade and other receivables due to increase in revenue from construction services and RM26.89 million increase in trade and other payables due to increase in subcontractor costs mainly attributable to the increase in the composition of civil engineering services performed by our subcontractors;
- (b) RM16.52 million decrease in amount owing by related parties and RM4.27 million decrease in amount owing to related parties mainly attributable to the reclassification of amount owing by a then related party, namely ASB, to other receivables and other payables, respectively. The reclassification was made subsequent to Dato' Phum and Lim Swee Chai resigned from ASB and ceased to be a shareholder of ASB effective from 31 December 2014, which had resulted in ASB becoming a non-related party to our Group; and
- (c) RM4.18 million in payment of interest and RM7.03 million in payment of tax.

As a result, the net cash from operating activities increased from approximately RM14.36 million in the FYE 31 December 2013 to approximately RM32.12 million in the FYE 31 December 2014.

Net cash used in investing activities

For the FYE 31 December 2014, we recorded net cash used in investing activities of approximately RM3.41 million mainly comprising:-

- (a) RM4.90 million received from the disposal of property, plant and equipment which mainly consists of 14 units of excavators and seven (7) units of lorries;
- (b) RM2.86 million used as deposits paid for the purchase of property, plant and equipment which mainly consists of 44 units of dump trucks, 14 units of excavators, nine (9) units of bulldozers, four (4) units of compactors amounting to RM39.16 million; and
- (c) Deposits and progress payments of RM2.19 million for 11 units of residential properties under our property investment business which are under construction.

Net cash used in financing activities

For the FYE 31 December 2014, our Group recorded net cash used in financing activities of approximately RM34.51 million mainly comprising:-

- (a) RM23.81 million in repayment of hire purchase obligations; and
- (b) RM9.26 million in repayment to a then related party, namely ASB.

11. FINANCIAL INFORMATION (CONT'D)**FYE 31 December 2015****Net cash generated from operating activities**

For the FYE 31 December 2015, we generated operating cash flows before working capital changes amounting to approximately RM58.46 million. After accounting for key items set out below, our Group's net cash from operating activities was approximately RM32.69 million:-

- (a) RM5.28 million decrease in amount owing to contract customers due to several of our projects in Bandar Puncak Alam and Semenyih which had an amount owing to contract customers amounting to RM1.58 million and RM6.3 million respectively. These projects had obtained the CPC in the FYE 31 December 2015;
- (b) RM16.08 million increase in trade and other receivables due to delay in collection from the customer for the Jeram Batu project amounting to RM12.88 million, which was subsequently collected in full in February 2016 and RM13.76 million increase in trade and other payables due to a deferred payment arrangement with one (1) of our property developer client for our Group's purchase of their properties under our property investment business; and
- (c) RM4.91 million in payment of interest and RM12.24 million in payment of tax.

As a result, the net cash from operating activities increased from approximately RM32.12 million in the FYE 31 December 2014 to approximately RM32.69 million in the FYE 31 December 2015.

Net cash used in investing activities

For the FYE 31 December 2015, we recorded net cash used in investing activities of approximately RM34.44 million mainly comprising:-

- (a) Deposits and progress payments of RM29.83 million for the purchase of 11 units of investment properties comprising two (2) parcels of land, eight (8) units of residential properties and one (1) unit of commercial property which are still under construction and progress payments for 11 units of investment properties comprising 10 units of residential properties and one (1) parcel of leasehold land that was acquired in the previous financial years;
- (b) RM4.41 million used as deposits paid for the purchase of property, plant and equipment which mainly consists of 12 units of dump trucks, three (3) units of excavators, four (4) units of compactors and five (5) units of bulldozers; and
- (c) RM1.62 million received from the disposal of property, plant and equipment which mainly consists of five (5) units of excavators.

Net cash used in financing activities

For the FYE 31 December 2015, our Group recorded net cash used in financing activities of approximately RM6.41 million mainly comprising:-

- (a) RM22.61 million in repayment of hire purchase obligation; and

11. FINANCIAL INFORMATION (CONT'D)

- (b) Net drawdown of short term credit facilities amounting to RM13.04 million to fund the working capital requirement of our Group and term loans of RM3.17 million.

FYE 31 December 2016

Net cash generated from operating activities

For the FYE 31 December 2016, we generated operating cash flows before working capital changes amounting to approximately RM56.19 million. After accounting for key items set out below, our Group's net cash from operating activities was approximately RM23.29 million:-

- (a) RM5.38 million increase in amount owing to contract customers mainly due to our project in Semenyih which had an amount owing to contract customer amounting to RM3.33 million. The project had obtained the CPC in the FYE 31 December 2016;
- (b) RM17.78 million increase in trade and other receivables mainly due to the progress billing towards the financial year end for the Bukit Jalil project which was subsequently collected in full in January 2017; and
- (c) RM5.69 million in payment of interest and RM7.53 million in payment of tax.

As a result, the net cash from operating activities decreased from approximately RM32.69 million in the FYE 31 December 2015 to RM23.29 million in the FYE 31 December 2016.

Net cash used in investing activities

For the FYE 31 December 2016, we recorded net cash used in investing activities of approximately RM2.84 million mainly comprising:-

- (a) RM7.84 million received from the disposal of property, plant and equipment which mainly consists of 22 units of dump trucks, 13 units of excavators, 13 units of bulldozers and six (6) units of compactors;
- (b) RM4.16 million received from the disposal of one (1) parcel of leasehold land in order for the Group to realise capital gains on our property investment business;
- (c) RM2.53 million used as deposits paid for the purchase of property, plant and equipment which mainly consists of 22 units of dump trucks, 22 units of excavators, eight (8) units of compactors and one (1) unit of bulldozer; and
- (d) Deposits and progress payments of RM6.66 million for 12 units of investment properties comprising:-
- i. Progress payments for 10 units of residential properties and one (1) unit of commercial property which are still under construction; and
 - ii. Deposits for acquisition of one (1) unit of residential property which had already been completed

11. FINANCIAL INFORMATION (CONT'D)

Net cash used in financing activities

For the FYE 31 December 2016, our Group recorded net cash used in financing activities of approximately RM15.08 million mainly comprising:-

- (a) RM24.74 in repayment of hire purchase obligations; and
- (b) Net repayment of short term credit facilities amounting to RM1.42 million which comprises repayment of bank factoring amounting to RM4.83 million, drawdown of bankers' acceptances of RM0.81 million and drawdown of invoice financing amounting to RM2.60 million for the working capital requirement of our Group and net drawdown of terms loans of RM16.09 million.

11.4.3 Borrowings

Based on our consolidated statement of financial position as at the LPD, our Group had total outstanding bank borrowings amounting to approximately RM81.00 million. All our outstanding borrowings, which are interest bearing and denominated in RM, can be further analysed as set out below:-

Outstanding Borrowings	Amount RM'000
Short-term borrowings	
Hire Purchase payables	12,082
Term loans	4,054
Bankers' acceptances	2,586
Invoice financing	5,184
Revolving credit	6,000
Bank overdrafts	7,522
	<u>37,428</u>
Long-term borrowings	
Term loans	23,638
Hire purchase payables	19,936
	<u>43,574</u>
Total borrowings	<u>81,002</u>
Gearing ratio as at 31 December 2016 (times) *1	0.81
Net gearing ratio as at 31 December 2016 (times)*2	0.77
Gearing ratio after Public Issue and proposed utilisation of proceeds (times)*3	0.46
Net gearing ratio after Public Issue and proposed utilisation of proceeds (times)*4	0.37

Notes:-

*1 Calculated based on borrowings of approximately RM85.35 million and shareholders' equity as at 31 December 2016 of approximately RM105.62 million

*2 Calculated based on borrowings net of bank balances of approximately RM81.73 million and shareholders' equity as at 31 December 2016 of approximately RM105.62 million

*3 Calculated based on pro forma borrowings of approximately RM72.85 million and pro forma shareholders' equity as at 31 December 2016 of approximately RM158.52 million after the Public Issue and proposed utilisation of proceeds

11. FINANCIAL INFORMATION (CONT'D)

*4 Calculated based on pro forma borrowings net of pro forma bank balances of approximately RM58.53 million and pro forma shareholder's equity as at 31 December 2016 of approximately RM158.52 million after the Public Issue and proposed utilisation of proceeds

As at 31 December 2016, our Group does not have any borrowings in foreign currency.

Our Group has not defaulted on payments of either interest and/ or principal sums in respect of any borrowings throughout the past three (3) financial years up to the FYE 31 December 2016 and up to the LPD.

The maturity profile of our borrowings as at the LPD is as set out below:-

Maturity of borrowings	Amount RM'000
Within 1 year	37,428
More than 1 year and less than 2 years	10,774
More than 2 years and less than 5 years	19,929
More than 5 years	12,871
Total Borrowings	<u>81,002</u>

The details of the types of our borrowings and its amount balance as at the LPD are set out below:-

Type of borrowings	Tenure	Contractual interest rate %	As at the LPD RM'000
Term loans	Over 5 years	4.25-8.16	27,692
Bank overdrafts	Within 1 year	7.60-8.31	7,522
Hire purchase payables	1-5 years	3.96-7.15	32,018
Bankers' acceptances	Within 1 year	4.94-5.08	2,586
Invoice financing	Within 4 months	6.38-8.06	5,184
Revolving credit	Within 3 months	4.91-5.90	6,000
Total			<u>81,002</u>

11.4.4 Type of financial instruments used

As at the LPD, we do not have any financial instruments nor are we using any financial instruments for hedging purposes.

11.4.5 Treasury policies and objectives

We have been financing our operations through a combination of internal and external sources of funds. Internal sources of funds comprise of mainly cash generated from operations, share capital and credit from suppliers, while external sources of funds comprise mainly short term and long term bank borrowings. The primary objective of our capital management is to ensure that we have sustainable shareholders' equity to ensure our ability to continue as a going concern and to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

11. FINANCIAL INFORMATION (CONT'D)

We have short-term and long-term borrowings facilities available to our Group. Our short-term bank borrowings consists of bankers' acceptances, revolving credit, bank overdrafts and hire purchase payables to finance our working capital requirements, payment of suppliers and subcontractors, purchases of raw materials and to defray other expenses such as staff salaries and allowances, repairs and maintenance of machinery, motor vehicles upkeep expenses, office upkeep expenses, the rental of office premises as well as purchase of new machinery. The interest rates for our short-term bank borrowings are based on the market rates prevailing at the dates of the respective transactions.

Our long-term bank borrowings are mainly term loans and hire purchase payables obtained to finance our acquisition of investment properties and the purchase of new machinery and motor vehicles. The interest rates for our hire purchase payables are based on market rates prevailing at the dates of the respective transactions.

We conducted our operations in RM and as such, our Group is not exposed to foreign exchange. Accordingly we do not have any hedging policies nor have we entered into any forward contracts in respect of any foreign exchange exposure. Our cash and cash equivalents are maintained in RM.

11.4.6 Material commitments

Save as disclosed below, as at the LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group:-

	RM'000
Authorised and contracted for:-	
- Purchase of investment properties ^{*1}	3,177
- Purchase of plant and equipment ^{*2}	16,555
- Purchase of properties ^{*3}	502
Total	<u>20,234</u>

Notes:-

*1 Further breakdown on the capital commitment for our investment properties is set out below:-

Name of Developer	Name of Investment Property	Type of Investment Property	No. of unit(s)	Capital commitment RM'000
Eco World	Tenderfield, Eco Majestic	Semi-detached House	1	284
	The Ivoris, Eco Majestic	Shop	1	154
	Eco Sky	Condominium	2	645
	Rio Villa, Eco Sanctuary	Semi-detached House	2	2,094
Total			<u>6</u>	<u>3,177</u>

11. FINANCIAL INFORMATION (CONT'D)

² Our Group has committed to acquire additional 10 units of EC3500L excavator, two (2) units of EC480DL excavator, 12 units of Kinta Tractor, three (3) units of JS205SC excavator and 30 units of ZZ4255 tipper truck for our construction services business operations

³ Further breakdown on the capital commitment for our property is set out below:-

Name Developer	of	Name Property	of	Type Property	of	No. of unit(s)	Capital commitment RM'000
SP Setia		KL Eco City		Office		1	269
PKNS		Industrial Land		Leasehold land		1	233
Total						2	502

The above commitments will be financed through our internally generated funds and/ or bank borrowings.

11.4.7 Material litigation

Save as disclosed in Section 15.5 of this Prospectus, as at the LPD, neither our Company nor our Subsidiaries have, in the 12 months immediately preceding the date of this Prospectus have been engaged in any governmental, legal, litigation or arbitration proceedings including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability.

11.4.8 Contingent liabilities

Save as disclosed below, as at the LPD, our Directors are not aware of any contingent liabilities which, upon becoming enforceable, may materially and adversely affect our financial position and business:-

	RM'000
Corporate guarantee given to financial institutions for credit facilities granted to the Subsidiaries ^{*1}	55,778
Corporate guarantee given to financial institutions for credit facilities granted to the related companies ^{*2}	20,072
Corporate guarantee given to financial institutions for credit facilities granted to the related companies ^{*3}	3,542
Hire purchase for plant and machinery to the Subsidiaries ^{*4}	25,904
Hire purchase for plant and machinery to the related companies ^{*5}	820
Total	106,116

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

- *1 Advancecon provided corporate guarantee to financial institutions for credit facilities granted to its Subsidiaries i.e. Advancecon Infra, Advancecon Machinery and Advancecon Properties
- *2 Advancecon Properties pledged its properties to financial institutions for credit facilities granted to the related company i.e. Advancecon Infra
- *3 Advancecon Infra provided corporate guarantee to financial institutions for credit facilities granted to its related company i.e. Advancecon Properties
- *4 Advancecon provided corporate guarantee to financial institutions for hire purchase for plant and machinery to its Subsidiaries i.e. Advancecon Machinery
- *5 Advancecon Infra provided corporate guarantee to financial institutions for hire purchase for plant and machinery to its related companies i.e. Advancecon Machinery

There are no contingent liabilities at the Group level.

11.4.9 Key financial ratios

The key financial ratios of our Group for the past three (3) financial years up to the FYE 31 December 2016 have been prepared based on our historical audited consolidated financial statements.

The key financial ratios of our Group are as set out below:-

	<-----FYE 31 December----->		
	2014	2015	2016
Trade receivables turnover period*1 (days)	70	84	122
Trade payables turnover period*2 (days)	49	51	73
Inventories turnover period*3 (days)	_7	_7	_7
Current ratio*4 (times)	0.97	1.00	1.12
Gross gearing ratio*5 (times)	1.06	0.88	0.81
Net gearing ratio*6 (times)	1.00	0.82	0.77

Notes:-

- *1
$$\frac{(\text{Trade receivables (excluding retention sum) at beginning} + \text{trade receivables (excluding retention sum) at end}) / 2}{\text{Revenue}} \times 365 \text{ days}$$
- *2
$$\frac{(\text{Trade payables (excluding retention sum) at beginning} + \text{trade payables (excluding retention sum) at end}) / 2}{\text{Cost of sales}} \times 365 \text{ days}$$
- *3
$$\frac{(\text{Inventories at beginning} + \text{inventories at end}) / 2}{\text{Cost of sales}} \times 365 \text{ days}$$
- *4
$$\frac{\text{Total current assets}}{\text{Total current liabilities}}$$
- *5
$$\frac{\text{Total borrowings (only interest bearing)}}{\text{Shareholders' equity}}$$

11. FINANCIAL INFORMATION (CONT'D)

^{*6} Total borrowings (only interest bearing) – Cash and bank balances
Shareholders' equity

^{*7} Not applicable as 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. As a result, we generally do not keep excess inventory of construction materials and the inventory recorded for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 was nil, nil and nil respectively

Trade receivables turnover

Our normal credit period given to our trade debtors generally ranges from 30 days to 60 days. Other credit terms are assessed and approved on a case-by-case basis after taking into consideration, *inter-alia*, the background and credit-worthiness of the customer, payment history of the customer, our relationship with the customer and the scope of the project. We generally consider extending the credit periods granted to our customers due to our close relationship with them, as well as based on the quantum of the amount owing by these customers. We have constantly reminded our customers of the amount due by way of verbal and/ or written reminders so as to minimise occurrences for any extension of credit period to trade receivables. Nevertheless, we do not regularly consider extending the credit periods granted to our new customers.

Our trade receivables turnover period was computed excluding retention sums in relation to our construction services. Due to the nature of the construction industry, retention sums are generally retained over a period of between one (1) to three (3) years during the defect liability period of the project. As such, the exclusion of the retention sums in the computation of trade receivables turnover period presents a more realistic measure of the average number of days that our Group requires for the collection of debts that are due.

Our trade receivables turnover period for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 were 70 days, 84 days and 122 days, respectively.

Our trade receivables turnover period increased from 70 days in the FYE 31 December 2014 to 84 days in the FYE 31 December 2015 mainly due to the general delay in collection from the Jeram Batu project amounting to approximately RM12.88 million. Subsequently, the amount was fully collected in February 2016.

Our trade receivables turnover period increased from 84 days in the FYE 31 December 2015 to 122 days in the FYE 31 December 2016 mainly due to higher progress billings raised towards the last two (2) months of the FYE 31 December 2016 for the Eco Majestic project, Setia Ecohill project, Bukit Jalil project and Tropicana Aman project amounting to approximately RM52.37 million. Subsequently, the entire amount of RM52.37 was fully collected in May 2017.

11. FINANCIAL INFORMATION (CONT'D)

There was a gradual increase in trade receivables turnover period from 70 days in the FYE 31 December 2014 to 84 days and 122 days in the FYE 31 December 2015 and FYE 31 December 2016, respectively. The increase in trade receivables turnover period in the FYE 31 December 2016 was mainly due to timing differences in our progress billings for the FYE 31 December 2016 as compared to the FYE 31 December 2015. Approximately RM77.59 million (excluding retention sum) or approximately 87.8% of our trade receivables (excluding retention sum) was incrementally billed to our contract customers during the last two (2) months of the FYE 31 December 2016, Notwithstanding the foregoing, the aforesaid progress billings were still within our normal credit period given to our contract customers as at 31 December 2016. We had subsequently collected approximately RM45.77 million (excluding retention sum) within the credit period.

We had also recognised minimal allowance for impairment losses on trade receivables which incurred in the FYE 31 December 2014 amounting to RM1.38 million. We had subsequently recorded a reversal of allowance for impairment losses amounting to RM0.91 million from the compensation arising from the court case against a construction company in the FYE 31 December 2015 and recovery of receivables from two (2) trading customers amounting to RM0.02 million and RM0.23 million in the FYE 31 December 2015 and the FYE 31 December 2016, respectively. Our management team has closely monitored the trade receivables of each customer and has also constantly reminded our customers of amount due when it was close to the expiry date of the credit period granted.

In addition, our Directors are of the view that the trade receivables turnover period is manageable and will continuously monitor and constantly review our credit policies.

The ageing analysis of our Group's trade receivables as at 31 December 2016 and the subsequent collections and balance of trade receivables as at the LPD are set out below:-

Credit Period	Credit period	<-----Within extended credit period---->			Exceeded extended credit period	Total
	0 – 60 days RM'000	61 – 90 days RM'000	91 – 120 days RM'000	121 - 150 days RM'000	More than 150 days RM'000	
As at 31 December 2016						
Trade receivables	107,402	4,555	3,788	39	3,701	119,485
% of trade receivables	89.9	3.8	3.2	.*	3.1	100.0
As at the LPD:-						
Subsequent collections	75,780	4,471	3,726	37	2,119	86,133
% of total trade receivables	63.4	3.7	3.1	.*	1.9	72.1
Net trade receivables	31,622	84	62	2	1,582	33,352
% of total trade receivables	26.5	0.1	0.1	.*	1.2	27.9

11. FINANCIAL INFORMATION (CONT'D)

Credit Period	Credit period	<----Within extended credit period-->			Exceeded extended credit period	Total RM'000
	0 – 60 days RM'000	61 – 90 days RM'000	91 – 120 days RM'000	121 - 150 days RM'000	More than 150 days RM'000	
Retention sum	29,810	-	-	-	1,296	31,106
% of total trade receivables	24.9	-	-	-	1.1	26.0
Net trade receivables less retention sum	1,812	84	62	2	286	2,246
% of total trade receivables	1.5	0.1	0.1	-*	0.2	1.9

Note:-

* Negligible

As tabulated in the ageing analysis above, our Group's total trade receivables as at 31 December 2016 was RM119.48 million. Notwithstanding the foregoing and as at the LPD, RM86.13 million or approximately 72.1% of the total trade receivables has been subsequently collected. Out of the remaining balance of RM33.35 million or approximately 27.9% of the total outstanding trade receivables, RM31.77 million or approximately 26.7% was within the normal and extended credit period. Only RM1.58 million or approximately 1.2% of our total outstanding trade receivables had exceeded 150 days. As at the LPD, we have either follow up by phone calling, issued letter of demand and/ or reminder letter to these customers. Our Group did not encounter any collection issues from our customers. Accordingly, the Board is of the view that the trade receivables are fully collectable and no impairment is required.

For clarification, RM31.11 million is the retention sum which is due from the completed construction projects under the defects liability period. The payment will be released to us when it is due ranging from one (1) year to three (3) years. In the past, there was no impairment loss on retention sum recognised and all retention sum were recovered in full from our clients. As such, our Board is confident that there will not be any impairment loss on the retention sum and the amount is fully recoverable.

Trade payables turnover

The normal credit terms granted to us by our trade suppliers ranges from 14 to 60 days. We have not experienced any disruptions in supplies from our raw material suppliers and subcontractors notwithstanding the longer payment period extended to us as our suppliers and subcontractors generally acknowledge the nature of our business and reliability of our constant payments to them. Retention sums are excluded in arriving at our trade payables turnover period.

Our trade payables turnover period for the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 were 49 days, 51 days and 73 days, respectively.

11. FINANCIAL INFORMATION (CONT'D)

Our trade payables turnover period increased from 49 days in the FYE 31 December 2014 to 51 days in the FYE 31 December 2015 mainly due to the longer credit periods granted by our suppliers and/ or subcontractors in the FYE 31 December 2015 and a deferred payment arrangement with one (1) of our property developer clients.

Our trade payables turnover period increased from 51 days in the FYE 31 December 2015 to 73 days in the FYE 31 December 2016 mainly attributable to higher progress claims towards the last two (2) months of the FYE 31 December 2016 for the Eco Majestic project, Tropicana Aman project and Setia Ecohill project amounting to approximately RM9.36 million. Subsequently, the entire amount of RM9.36 million was fully paid as at the LPD.

The ageing analysis of our Group's trade payables as at 31 December 2016 is set out below:-

Credit period	Credit period 0 – 60 days RM'000	<----Within extended credit period---->				Exceeded extended credit period More than 150 days RM'000	Total RM'000
		61 - 90 days RM'000	91 - 120 days RM'000	121 - 150 days RM'000			
As at 31 December 2016							
Trade payables	31,998	3,311	3,164	402	2,160	41,035	
% of trade payables	78.0	8.1	7.7	1.0	5.2	100.0	
As at the LPD:-							
Subsequent payments	24,557	3,302	2,540	396	1,079	31,874	
% of total trade payables	59.8	8.0	6.2	1.0	2.7	77.7	
Net trade payables	7,441	9	624	6	1,081	9,161	
% of total trade payables	18.2	0.1	1.5	-*	2.5	22.3	
Retention sum	6,790	-	623	-	823	8,236	
% of total trade payables	16.5	-	1.5	-	2.1	20.1	
Net trade payables less retention sum	651	9	1	6	258	925	
% of total trade payables	1.7	0.1	-*	-*	0.4	2.2	

Note:-

* Negligible

Based on the above, only RM1.08 million of our net trade payables exceeded 150 days. This is mainly due to our long term relationship with our suppliers.

Approximately RM8.24 million is the retention sum held by us for the works to be completed by the sub-contractors under the defects liability period in relation to our construction projects. The retention sum will be released to our subcontractors within one (1) year to three (3) years.

11. FINANCIAL INFORMATION (CONT'D)

There was no matter in dispute with respect to trade payables for the financial years under review, neither was there any legal action initiated by any of our suppliers to demand for payment for the past three (3) financial years up to the FYE 31 December 2016.

Inventories turnover

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.

Current ratio

Our current ratio as at the FYE 31 December 2014, the FYE 31 December 2015 and the FYE 31 December 2016 was 0.97 times, 1.00 times and 1.12 times, respectively.

As at the FYE 31 December 2014, our current ratio improved from 0.93 times in the FYE 31 December 2013 to 0.97 times in the FYE 31 December 2014 mainly attributable to the continuous increase in our trade and other receivables, which was in line with the increased in revenue generated from our construction services business segment. However, the increase was partially offset by the increase in our Group's short term borrowings and bank overdrafts that were used for the purchase of new machinery and to fund our working capital requirements for our business expansion.

For the FYE 31 December 2015, our current ratio improved from 0.97 times in the FYE 31 December 2014 to 1.00 times in the FYE 31 December 2015 mainly attributable to the continuous increase in our trade and other receivables, which was in line with the revenue generated from our construction services business segment. However, the increase was partially offset by the increase in our Group's short term borrowings and bank overdraft.

For the FYE 31 December 2016, our current ratio improved from 1.00 times in the FYE 31 December 2015 to 1.12 times in the FYE 31 December 2016 mainly attributable to the increase in our trade receivables and deposits with licensed banks. However, the increase was partially offset by the increase in our Group's dividend payables and other payables and accruals.

Notwithstanding that our current ratio has been improving for the past three (3) financial years up to the FYE 31 December 2016, our Group's current ratio was less than 1.00 times in the FYE 31 December 2014. Further details on our Group's net current liabilities position are set out in Section 11.3 (xii) of this Prospectus.

Gearing ratio and net gearing ratio

Our gearing ratio has been on an improving trend for the past three (3) financial years up to the FYE 31 December 2016. Despite the increase in our Group's total borrowings, the increase of our retained profit had outpaced the increase in our Group's total borrowings over the past three (3) financial years under review.

11. FINANCIAL INFORMATION (CONT'D)

For the FYE 31 December 2014, our gross gearing ratio improved from 1.12 times to 1.06 times, mainly contributed by the increase in retained profit of RM21.41 million, which was partially offset by the increase in total borrowings of RM20.16 million. The increase in total borrowings was mainly due to increase in hire purchase for the purchase of new machinery amounting to RM39.16 million. After taking into consideration our cash and bank balances of RM3.42 million, our net gearing ratio improved from 1.06 times to 1.00 times.

For the FYE 31 December 2015, our gross gearing ratio improved from 1.06 times to 0.88 times, mainly contributed by the increase in retained profit of RM29.94 million, which was partially offset by the increase in total borrowings of RM15.31 million. The improvement was due to the repayment of our hire purchase amounting to RM22.61 million in the FYE 31 December 2015. After taking into consideration our cash and bank balances of RM5.70 million, our net gearing ratio improved from 0.88 times to 0.82 times.

For the FYE 31 December 2016, our gross gearing ratio improved from 0.88 times to 0.81 times, mainly contributed by the increase in our Group's retained profit of RM11.95 million, which was partially offset by the increase in total borrowings of RM2.59 million and dividends declared for the FYE 31 December 2016 amounting to RM14.50 million. After taking into consideration our cash and bank balances of RM3.62 million, our net gearing ratio improved from 0.82 times to 0.77 times.

11.5 State of our construction order book

As our Group's business 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) financial years, we have been able to secure notable projects from several property developers in Malaysia such as Eco World, S P Setia, Sime Darby Berhad, Tropicana, Setia Haruman Sdn. Bhd., PKNS, Perdana Parkcity Sdn Bhd, MKH Berhad, Paramount Corporation Berhad, Kuala Lumpur Kepong Berhad, NCT and Malaysian Resources Corporation Berhad, IJMC-Keb Joint Venture, LM Partners Sdn Bhd and Billiontex Industries Sdn Bhd. For the avoidance of doubt, our Group had acquired two (2) units of investment properties from NCT via a contra arrangement whereby the progress billing for the Taman Kenanga project awarded by NCT was partly offset against the aforesaid investment properties. Further details of the contra arrangement are set out in Table 2 of Section 6.1.2 of this Prospectus.

Our contracts generally range from six (6) months to three (3) years depending on the size and complexity of the projects.

As the revenue from construction projects is recognised based on the stage of completion method, our order book excludes the value of completed works in respect of on-going projects which have been recognised in revenue.

As at the LPD, the state of our order book in our earthworks and civil engineering services segment are set out below:-

Project details	Commencement/ Expected completion date	Estimated contract value RM'million	Remaining contract value RM'million
Earthworks and infrastructure works at Section 3 and part of Section 2 of the Kota Puteri project at Rawang, Selangor	October 2015/ August 2017	12.93	4.67

11. FINANCIAL INFORMATION (CONT'D)

Project details	Commencement/ Expected completion date	Estimated contract value RM'million	Remaining contract value RM'million
Construction and completion of earthworks, main drain, realignment of existing rivers and other related works for development of Phase 1 (R3) & sales gallery (C1) for Stage 2 of the Bandar Bukit Raja project at Kapar, Klang, Selangor	July 2015/ August 2017	15.76	3.88
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	May 2016/ June 2017	63.00	1.33
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	November 2013/ March 2018	114.20	22.69
Earthworks for Phase 1 mixed residential and commercial development at Mukim Bukit Raja, Petaling, Seksyen U12, Selangor	November 2016/ June 2017	34.53	17.26
Site clearing, earthworks and ancillary works Package (I) & Package (II) for the Seri Serai development project at Rawang, Gombak, Selangor	August 2016/ July 2017	14.48	8.04
Site clearing, earthworks and ancillary works (Package 3) (RSKU, Water Tank Reserve & Main Access Road) for the Serai development project at Rawang, Gombak, Selangor	February 2017/ July 2017	5.99	5.99
Earthworks for the mixed development at Block 7, Cyber 1 of the Setia Eco Glades project at Cyberjaya Flagship Zone, Dengkil, Sepang, Selangor	July 2012/ August 2017	54.11	12.38
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	March 2016/ September 2017	53.10	31.06
Earthworks for the Tropicana Aman project at Tanjung Dua Belas, Kuala Langat, Selangor	April 2015/ September 2017	136.52	39.15
Earthworks for mixed development on Lot 48731 (PT 45264), Petaling, Selangor	March 2017/ January 2018	6.58	6.32

11. FINANCIAL INFORMATION (CONT'D)

Project details	Commencement/ Expected completion date	Estimated contract value RM'million	Remaining contract value RM'million
Construction and completion of earthwork and other related works for mixed development at Ijok, Selangor	December 2016/ February 2018	60.28	54.84
Construction and completion of civil works for West Coast Expressway (WCE) Interchange (from Section 1 - Banting Interchange to South Klang Valley Expressway (SKVE) Interchange)	December 2016/ June 2019	239.81	238.62
Development and upgrading of the proposed Pan Borneo highway in the state of Sarawak (from Sg Awik Bridge to Bintangor Junction)	December 2016/ November 2019	105.23	104.32
Construction and completion of by-pass box culvert, temporary detention pond and sungai serai upgrading works for Bandar Serai Development, Rawang, Gombak, Selangor	April 2017/ January 2018	6.70	6.70
Hard landscaping for east lake central park for zone A & zone B at Tanjung Dua Belas, Kuala Langat, Selangor.	April 2017/ January 2018	15.23	15.23
		938.45	572.48

Our order book for the earthworks and civil engineering projects above are on stand-alone contract basis. Please refer to Section 11.3 of this Prospectus for the management's discussion and analysis of our financial condition and results of operations for the past three (3) financial years.

It should be noted that the time frame between closing of tender submission and award of project may take from two (2) months to six (6) months depending on the complexity of the project and also that there may be variations from the amount submitted during a tender exercise as compared to the final secured tender amount resulting from further discussions with potential customers, which would normally take place after our tender has been shortlisted.

From 1 January 2017 up to the LPD, our Group had tendered for a total of 23 contracts with a total value of RM496.41 million, of which we have secured four (4) contracts with a total value of RM34.50 million.

11.6 Trend information

Based on our segmental analysis of revenue and profitability by our business activities, the state of our order book and our overview of operations for the past three (3) financial years up to the FYE 31 December 2016, we anticipate the following trends:-

- i. We expect our Group's financial position and performance to remain sustainable, taking into consideration the projects we participated in bids and our current pipeline of projects.

11. FINANCIAL INFORMATION (CONT'D)

- ii. Our Board expects our subcontractors to continue to play an important role in projects under our construction services business segment, wherein our projects are generally labour and machinery intensive. With our monitoring policy in place in terms of assessing our subcontractors' performances, our Board believes that we are able to monitor the subcontractor's costs.

Our other components of our total cost of sales comprises of raw material purchases, which mainly consists of industrial diesel, quarry products, premix products, precast products, ready-mixed concrete, gabion and emulsion purchases. The costs for these materials are driven by factors such as market demand and supply, commodity prices particularly industrial diesel as well as the global economic conditions. Our Board believes that with our consistent monitoring of the price movements of our raw materials, we expect to be able to minimise the effects of any fluctuation of raw material prices, and ensuring consistency in the supply of our raw materials.

- iii. Our Board expects our overall gross profit margin to be sustainable or may be enhanced by leveraging on our key strengths as highlighted under Section 6.3 of this Prospectus. In particular, our Board believes that:-
- a) By focusing on our principal activities as disclosed under Section 6 of this Prospectus, we may be able to leverage on our expertise and focus on projects that provide higher gross profit margins, subject to the prevailing market condition; and
 - b) Our practice in maintaining good relationships with our subcontractors and suppliers enable us to ensure the consistency of the quality of services from our subcontractors and have the flexibility in negotiating better pricing for our raw materials, respectively.

In addition to the above and barring any unforeseen circumstances, our Board is not aware of any circumstances which would result in a significant decline in our revenue and gross profit margins. Information on our Group's business and financial prospects, significant trends in revenue and costs are set out in this Section and Sections 5 and 6 of this Prospectus. Discussion on the overview of the construction industry, its prospects and outlook are further elaborated in Section 7 of this Prospectus.

Given the outlook of the construction industry as set out in Section 7 of this Prospectus, our Group's competitive strengths and advantages as set out in Section 6.3 of this Prospectus and our future plans and strategies as set out in Section 6.17 of this Prospectus, our Board is optimistic about the future prospects of our Group.

11.7 Directors' declaration on financial performance

As at the LPD, our operations have not been and are not expected to be affected by any of the following:-

- i. known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this Section and in Sections 4 and 6 of this Prospectus;
- ii. material commitment for capital expenditure save as disclosed in Section 11.4.6;

11. FINANCIAL INFORMATION (CONT'D)

- iii. unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed in this Section and in Section 4 of this Prospectus;
- iv. known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/ or profits save for those that have been disclosed in this section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 6.17 of this Prospectus;
- v. known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this Section and in Section 4 of this Prospectus; and
- vi. known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those discussed in this Section and in Section 4 of this Prospectus.

11.8 Dividend policy

It is our Board's policy to recommend and distribute minimum dividends of 20% of our annual PAT attribution to shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividends declared are subjected to the approval of our shareholders at our annual general meeting.

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, amongst others, the following factors when recommending dividends:-

- i. the availability of adequate distributable reserves and cash flow;
- ii. our operating cash flow requirements and financing commitment;
- iii. our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- iv. any material impact of tax laws and other regulatory requirements; and
- v. the prior approval from our bankers, if any.

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

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

11. FINANCIAL INFORMATION (CONT'D)

As highlighted in Section 2.9 of this Prospectus, our Group had declared total dividends amounting to RM14.50 million for the FYE 31 December 2016 which represents approximately 54.8% of our Group's PAT for the FYE 31 December 2016. We had paid RM5.00 million during the FYE 31 December 2016 and the Additional Interim Dividends (i.e. RM9.50 million) were paid in two (2) tranches in the financial year ending 31 December 2017. The first tranche amounting to RM4.50 million was declared on 23 December 2016 and paid on 10 January 2017 whilst the second tranche amounting to RM5.00 million was declared on 31 December 2016 and paid on 28 February 2017. For clarification purpose, the Additional Interim Dividends were declared and paid after the SC's approvals on our IPO but prior to the issuance of the Prospectus. Furthermore, the aforementioned Additional Interim Dividends were declared and paid despite our Group recording a negative cash and cash equivalents position of approximately RM6.01 million as at the FYE 31 December 2016.

The negative cash and cash equivalents balance was derived after taking into consideration the cash and bank balances (of approximately RM3.62 million), deposits with licensed banks (of approximately RM20.83 million) and netting off bank overdrafts (of approximately RM9.63 million) as well as deposits pledged with licensed banks (of approximately RM20.83 million), further details of which are set out in the table below:-

	RM'000
Deposits with licensed banks ^{*1}	20,830
Cash and bank balances	3,621
(Less): Bank overdrafts	(9,629)
Bank and cash balances as at FYE 31 December 2016	<u>14,822</u>
(Less): Deposits pledged with licensed banks ^{*1}	(20,830)
Cash and cash equivalents as at FYE 31 December 2016	<u>(6,008)</u>

Note:-

^{*1} The deposits with licensed banks of our Group are pledged to banks for bank credit facilities granted to our Group. The breakdown of the aforementioned bank credit facilities is set out in the table below:-

Types of credit facilities	Credit limit RM'000	Utilisation	Total deposits pledged for the respective credit facilities as at 31 December 2016 RM'000
Bank overdrafts and revolving credit	37,500	To finance our Group's working capital requirements such as payment of trade payables and operating expenses	14,212
Term Loan	12,000	To finance our Group's working capital requirements and purchase of investment properties	1,156
Trade finances such as bankers' acceptance, invoice financing and bank guarantee	112,614	To finance our Group's project working capital	5,462
Total			<u>20,830</u>

11. FINANCIAL INFORMATION (CONT'D)

Based on the above, the negative cash and cash equivalents position was mainly due to deposits pledged with licensed banks. Notwithstanding the foregoing, the bank and cash balances of the Group as at 31 December 2016 actually stood at approximately RM14.82 million. Furthermore, our Group recorded positive net cash from operating activities of RM32.12 million, RM32.68 million and RM23.29 million respectively over the past three (3) financial years up to the FYE 31 December 2016.

Despite the negative cash and cash equivalents position as at the FYE 31 December 2016, our Board had taken into consideration, amongst others, the bank and cash balances of our Group, the historical financial performance of our Group, the free cash flows available as well as the general working capital requirements of our Group in respect of the FYE 31 December 2016 and the financial year ending 2017 prior to making the collective decision on the payment of the Additional Interim Dividends. For further information, the unaudited cash and cash equivalents of our Group had further improved to a positive balance of RM17.69 million as at 31 March 2017, the breakdown of which is set out below:-

	RM'000
Deposits with licensed banks ^{*1}	19,686
Cash and bank balances	24,664
(Less): Bank overdrafts	(6,971)
Unaudited bank and cash balances as at 31 March 2017	37,379
(Less): Deposits pledged with licensed banks ^{*1}	(19,686)
Unaudited cash and cash equivalents as at 31 March 2017	17,693

Note:-

^{*1} The deposits with licensed banks of our Group are pledged to banks for bank credit facilities granted to our Group. The breakdown of the aforementioned bank credit facilities is set out in the table below:-

Types of credit facilities	Credit limit RM'000	Utilisation	Total deposits pledged for the respective credit facilities as at 31 March 2017 RM'000
Bank overdrafts and revolving credit	31,500	To finance our Group's working capital requirements such as payment of trade payables and operating expenses	9,155
Term Loan	12,000	To finance our Group's working capital requirements and purchase of investment properties	5,000
Trade finances such as bankers' acceptance, invoice financing and bank guarantee	112,614	To finance our Group's project working capital	5,531
Total			19,686

11. FINANCIAL INFORMATION (CONT'D)

In view that the Additional Interim Dividends were paid on 10 January 2017 and 28 February 2017 despite our Group recording a negative cash and cash equivalents position as at the FYE 31 December 2016, our Board had engaged the Reporting Accountants, namely Crowe Horwath, to perform agreed-upon procedures on the following cash balances to check whether our Group had available cash (net of bank overdrafts) to be distributed as Additional Interim Dividends during the aforementioned payment dates:-

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

Based on the Reporting Accountants' letters to the Board dated 20 April 2017 and 12 May 2017 respectively, it was disclosed that the cash and cash equivalents of Advancecon as at 31 March 2017 was a positive balance of RM17.69 million.

The Reporting Accountants had also checked the Group's cash balances as at the payment dates of the Additional Interim Dividends to check whether the available cash (net of bank overdrafts) before the payment of the Additional Interim Dividends is in excess of the payment of the Additional Interim Dividends (i.e. the cash balances after deducting bank overdrafts and the payment of Additional Interim Dividends is still at a positive amount). Please refer to the table below for further details of its findings:-

	As at 10 January 2017 RM'000	As at 28 February 2017 RM'000
Cash in hand	406	404
Cash at bank	29,018	18,817
Bank overdrafts	(17,510)	(5,459)
Available cash before the payment of the Additional Interim Dividends	11,914	13,762
Less: Payment of the Additional Interim Dividends	(4,500)	(5,000)
Remaining cash after the payment of the Additional Interim Dividends	7,414	8,762

For clarification purpose, the information above represents the Group's cash balances as at the particular dates where the Additional Interim Dividends were paid (i.e. 10 January 2017 and 28 February 2017).

In addition to the above, the Group recorded total net cash inflows of RM14.77 million for the financial period between 1 January 2017 and 28 February 2017 (being a period where the Additional Interim Dividends were paid), whereby the total cash inflows recorded was RM139.53 million and total cash outflows recorded was RM124.76 million.

Please refer to Section 4.3.4 of this Prospectus on the risk factor pertaining to the Company's future dividend payments and Section 11.1.3 of this Prospectus on the Group's historical consolidated statements of cash flow.

12. ACCOUNTANT'S REPORT



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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26 May 2017

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

Dear Sirs,

REPORTING ACCOUNTANT'S OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANT'S REPORT OF ADVANCECON HOLDINGS BERHAD

OPINION

We have audited the accompanying consolidated financial statements of Advancecon Holdings Berhad ("Advancecon" or the "Group") (which have been initialed for the purpose of identification) which comprise the consolidated statements of financial position as at 31 December 2014, 2015 and 2016, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the financial years ended 31 December 2014, 2015 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies as set out in pages 5 to 80.

The consolidated financial statements has been prepared for inclusion in the prospectus of Advancecon in connection with the listing of and quotation for the entire issued and paid-up share capital of Advancecon on the Main Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the *Prospectus Guidelines* issued by the Securities Commission Malaysia (the "Guidelines") and is given for the purpose of complying with Chapter 13.02 of the Guidelines and for no other purpose.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and of their financial performance and their cash flows for each of the financial years ended 31 December 2014, 2015 and 2016 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

12. ACCOUNTANT'S REPORT (CONT'D)



INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of Advancecon are responsible for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated financial statements.

12. ACCOUNTANT'S REPORT (CONT'D)



As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

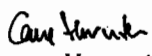
- Identify and assess the risks of material misstatement of the consolidated financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Group, including the disclosures, and whether the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

12. ACCOUNTANT'S REPORT (CONT'D)



We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


Crowe Horwath
Firm No: AF 1018
Chartered Accountants


Chin Kit Seong
Approval No: 03030/01/19 J
Chartered Accountant

Kuala Lumpur

12. ACCOUNTANT'S REPORT (CONT'D)

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AF 1018

ADVANCECON HOLDINGS BERHAD

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTE	FYE 31 DECEMBER		
		2014 RM'000	2015 RM'000	2016 RM'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	4	94,455	93,989	105,089
Investment properties	5	8,001	37,646	31,075
Goodwill	6	-	-	-
Deferred tax assets	7	1,827	1,095	-
		<u>104,283</u>	<u>132,730</u>	<u>136,164</u>
CURRENT ASSETS				
Amount owing by contract customers	8	3,030	4,151	3,528
Trade receivables	9	81,994	96,619	119,485
Other receivables, deposits and prepayments	10	10,434	12,195	10,803
Amount owing by related parties	11	1,350	-	-
Current tax assets		372	1,276	1,457
Deposits with licensed banks	12	12,274	14,601	20,830
Cash and bank balances		3,419	5,702	3,621
		<u>112,873</u>	<u>134,544</u>	<u>159,724</u>
TOTAL ASSETS		<u>217,156</u>	<u>267,274</u>	<u>295,888</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	1,248	1,248	31,208
Retained profits		62,485	92,425	74,413
TOTAL EQUITY		<u>63,733</u>	<u>93,673</u>	<u>105,621</u>

12. ACCOUNTANT'S REPORT (CONT'D)

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AF 1018

ADVANCECON HOLDINGS BERHAD

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	NOTE	FYE 31 DECEMBER		
		2014 RM'000	2015 RM'000	2016 RM'000
NON-CURRENT LIABILITIES				
Deferred tax liabilities	7	2,771	3,892	4,734
Long-term borrowings	14	34,060	26,418	42,710
Other payables	18	-	8,910	-
		<u>36,831</u>	<u>39,220</u>	<u>47,444</u>
CURRENT LIABILITIES				
Amount owing to contract customers	8	20,255	14,974	20,358
Trade payables	17	29,053	42,167	41,035
Other payables and accruals	18	28,844	20,262	27,242
Amount owing to related parties	11	1,262	-	-
Dividends payable	19	-	-	9,500
Current tax liabilities		3,791	639	2,047
Short-term borrowings	20	26,750	39,258	33,012
Bank overdrafts	21	6,637	17,081	9,629
		<u>116,592</u>	<u>134,381</u>	<u>142,823</u>
TOTAL LIABILITIES		<u>153,423</u>	<u>173,601</u>	<u>190,267</u>
TOTAL EQUITY AND LIABILITIES		<u>217,156</u>	<u>267,274</u>	<u>295,888</u>

12. ACCOUNTANT'S REPORT (CONT'D)

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AF 1018

ADVANCECON HOLDINGS BERHAD

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTE	FYE 31 DECEMBER		
		2014 RM'000	2015 RM'000	2016 RM'000
Revenue	22	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		52,385	65,034	67,532
Other operating expenses		(13,056)	(17,612)	(21,951)
Finance costs		(5,283)	(2,538)	(2,741)
		(4,196)	(4,905)	(5,694)
Profit before taxation	23	29,850	39,979	37,146
Income tax expense	24	(8,439)	(10,039)	(10,698)
Profit after taxation		21,411	29,940	26,448
Other comprehensive income		-	-	-
Total comprehensive income for the financial year		21,411	29,940	26,448
Profit after taxation attributable to:-				
Owners of the Company		21,411	29,940	26,448
Total comprehensive income attributable to:-				
Owners of the Company		21,411	29,940	26,448
Earnings per share (Sen) income attributable to:	25			
- Basic		1,715.63	2,399.04	8.47
- Diluted		1,715.63	2,399.04	8.47

12. ACCOUNTANT'S REPORT (CONT'D)

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AF 1018

ADVANCECON HOLDINGS BERHAD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	NOTE	Share Capital RM'000	Retained Profits RM'000	Total RM'000
Balance at 1.1.2014		1,248	41,074	42,322
Profit after taxation/Total comprehensive income for the financial year		-	21,411	21,411
Balance at 31.12.2014/1.1.2015		1,248	62,485	63,733
Profit after taxation/Total comprehensive income for the financial year		-	29,940	29,940
Balance at 31.12.2015/1.1.2016		1,248	92,425	93,673
Profit after taxation/Total comprehensive income for the financial year		-	26,448	26,448
Contribution by and distribution to owners of the Company				
- issuance of shares		29,960	(29,960)	-
- dividends	26	-	(14,500)	(14,500)
Balance at 31.12.2016		31,208	74,413	105,621

12. ACCOUNTANT'S REPORT (CONT'D)

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AF 1018

ADVANCECON HOLDINGS BERHAD

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTE	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 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
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

12. ACCOUNTANT'S REPORT (CONT'D)

Initiated For Identification Purposes Only



AF 1018

ADVANCECON HOLDINGS BERHAD

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	NOTE	FYE 31 DECEMBER		
		2014 RM'000	2015 RM'000	2016 RM'000
CASH FLOWS FOR INVESTING ACTIVITIES				
Interest received		341	506	573
Repayment from related parties		531	-	-
Increase in deposits pledged with licensed bank		(4,126)	(2,327)	(6,229)
Purchase of property, plant and equipment	27	(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 FLOWS FOR 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 YEAR	28	(3,218)	(11,379)	(6,008)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

1. GENERAL INFORMATION

Advancecon was incorporated in Malaysia on 9 April 1997 under the Companies Act 1965 as a private company limited by shares under the name of Advance Earthworks Sdn. Bhd.. On 23 September 2010, the Company changed the name to Advancecon Holdings Sdn. Bhd.. On 23 August 2016, the Company converted to a public company limited by shares and assumed its present name of Advancecon Holdings Berhad.

Advancecon is principally engaged in the businesses of earthworks and infrastructure construction, and income from hiring of machineries. The principal activities of the subsidiaries are disclosed in Note 37 to the financial statements.

2. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018*
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

2. BASIS OF PREPARATION (CONT'D)

MFRSs and/or IC Interpretations (Including The Consequential Amendments) (Cont'd)**Effective Date**

Annual Improvements to MFRS Standards 2014 - 2016 Cycles:

- Amendments to MFRS 12: Clarification of the Scope of Standard

1 January 2017

Annual Improvements to MFRS Standards 2014 - 2016 Cycles:

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

1 January 2018

- * *Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application except as follows:-

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is currently assessing the financial impact of adopting MFRS 9.

MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS 15 further clarify the concept of 'distinct' for the purposes of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

12. ACCOUNTANT'S REPORT (CONT'D)

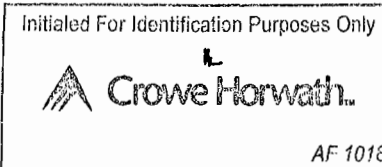
ADVANCECON HOLDINGS BERHAD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

Initialed For Identification Purposes Only



AF 1018

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial position (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Group's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

(c) Impairment of Non-Financial Assets

When the recoverable amount of an asset is determined based on the estimate of the value in use of the cash-generating unit to which the asset is allocated, the management is required to make an estimate of the expected future cash flows from the cash-generating unit and also to apply a suitable discount rate in order to determine the present value of those cash flows.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Impairment of Trade and Other Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

(e) Classification between Investment Properties and Owner-occupied Properties

The Group determines whether a property qualifies as an investment property, and has developed a criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(f) Classification of Leasehold Land

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

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Initialed For Identification Purposes Only



AF 1018

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(g) Impairment of Goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires management to estimate the expected future cash flows of the cash-generating unit to which goodwill is allocated and to apply a suitable discount rate in order to determine the present value of those cash flows. The future cash flows are most sensitive to budgeted gross margins, growth rates estimated and discount rate used. If the expectation is different from the estimation, such difference will impact the carrying value of goodwill.

(h) Fair Value Estimates for Certain Financial Assets and Financial Liabilities

The Group carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgement. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group uses different valuation methodologies. Any changes in fair value of these assets and liabilities would affect profit and/or equity.

(i) Construction contracts

Construction contracts accounting requires reliable estimation of the costs to complete the contract and reliable estimation of the stage of completion.

(i) Contract Revenue

Construction contracts accounting requires that variation claims and incentive payments only be recognised as contract revenue to the extent that it is probable that they will be accepted by the customers. As the approval process often takes some time, a judgement is required to be made of its probability and revenue recognised accordingly.

(ii) Contract Costs

Using experience gained on each particular contract and taking into account the expectations of the time and materials required to complete the contract, management estimates the profitability of the contract on an individual basis at any particular time.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Initialed For Identification Purposes Only



AF 1018

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Initialed For Identification Purposes Only



AF 1018

3.2 BASIS OF CONSOLIDATION (CONT'D)

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

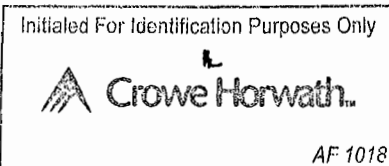
Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised as a gain in profit or loss.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FUNCTIONAL AND PRESENTATION CURRENCY

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss

As at the end of the reporting period, there were no financial assets classified under this category.

(ii) Held-to-maturity Investments

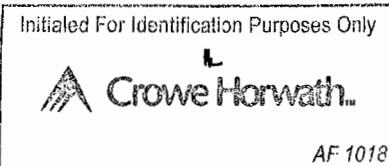
As at the end of the reporting period, there were no financial assets classified under this category.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)



3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

(iv) Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

(b) Financial Liabilities

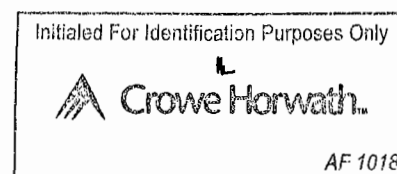
(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(ii) Other Financial Liabilities

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 FINANCIAL INSTRUMENTS (CONT'D)****(c) Equity Instruments**

Ordinary shares are classified as equity measured at cost and are not remeasured subsequently.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Initialed For Identification Purposes Only



AF 1018

3.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land is stated at cost less impairment loss, if any, and is not depreciated.

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

Buildings	2%
Leasehold land	Over the lease period 95 to 97 years
Plant and machinery	12%
Site equipment	10% - 20%
Office equipment	10% - 20%
Motor vehicles	12%
Renovation	20%
Furniture and fittings	15% - 20%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use. Cost of capital work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the acquisition of the assets to the date that the assets are completed and put into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Initialed For Identification Purposes Only



AF 1018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.8 INVESTMENT PROPERTIES**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Investment properties under construction are properties not ready for commercial use at the end of the reporting period. Investment properties under construction are stated at cost less any impairment losses, and are not depreciated.

Depreciation is charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are as follows:-

Buildings	2%
Leasehold land	Over the lease period of 86 years

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

3.9 IMPAIRMENT**(a) Impairment of Financial Assets**

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.9 IMPAIRMENT (CONT'D)****(b) Impairment of Non-financial Assets**

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

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AF 1018

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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AF 1018

3.10 LEASED ASSETS**(a) Finance Assets**

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

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

(b) Operating Lease

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

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

3.11 AMOUNTS OWING BY/TO CONTRACT CUSTOMERS

The amounts owing by/to contract customers are stated at cost plus profits attributable to contracts in progress less progress billings and allowance for foreseeable losses, if any. Costs include direct materials, labour and applicable overheads.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Initialed For Identification Purposes Only



AF 1018

3.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Initialed For Identification Purposes Only



AF 1018

3.12 INCOME TAXES (CONT'D)**(c) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of GST. However, when the GST incurred are related to purchases of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

Receivables and payables are stated with the amount of GST included (where applicable).

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

3.13 BORROWING COSTS

Borrowing costs, directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. Capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they incurred.

3.14 CASH AND CASH EQUIVALENTS

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

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Initialed For Identification Purposes Only



AF 1018

3.15 PROVISIONS

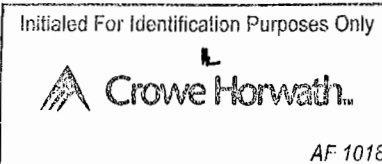
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

3.16 EMPLOYEE BENEFITS**(a) Short-term Benefits**

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are recognised in profit or loss and included in the construction costs, where appropriate, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss and included in the construction costs, where appropriate, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.17 RELATED PARTIES**

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including its director (whether executive or otherwise) of that entity.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Initialed For Identification Purposes Only



AF 1018

3.18 CONTINGENT LIABILITIES

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

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

3.19 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

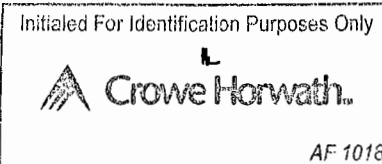
3.20 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

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

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.21 REVENUE AND OTHER INCOME****(a) Contract Income**

Revenue on contracts is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case revenue on contracts is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion that the contract costs incurred for work performed to date bear to the estimated total contract costs.

(b) Hiring of Plant and Machinery

Hiring of plant and machinery is recognised on an accrual basis.

(c) Sale of Goods

Revenue is measured at fair value of the consideration received or receivable and is recognised upon delivery of goods and customers' acceptance and where applicable, net of returns, GST, cash and trade discounts.

(d) Services

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(e) Interest Income

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

(f) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

(g) Rental Income

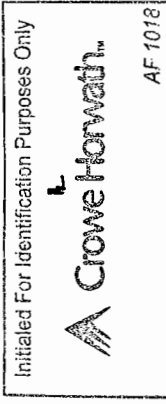
Rental income is recognised on an accrual basis.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT



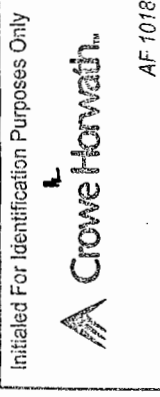
Net Book Value	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Site equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Furniture and fittings RM'000	Capital work-in-progress ^ RM'000	Total RM'000
At 1 January 2014	367	2,381	57,152	521	263	5,201	-	7	2,962	68,854
Additions	-	-	39,158	265	200	2,993	60	2	-	42,678
Disposals	-	-	(4,058)	-	-	(198)	-	-	-	(4,256)
Written off	-	-	(711)	-	-	-	-	-	-	(711)
Depreciation charge	(8)	(53)	(10,829)	(146)	(69)	(1,001)	(1)	(3)	-	(12,110)
At 31 December 2014/	359	2,328	80,712	640	394	6,995	59	6	2,962	94,455
1 January 2015	-	-	10,150	259	128	3,765	20	14	1,343	15,679
Additions	-	-	(919)	-	-	(99)	-	-	-	(1,018)
Disposals	-	-	(102)	-	-	(525)	-	-	-	(627)
Written off	-	-	(102)	-	-	(1,273)	(16)	(3)	-	(14,500)
Depreciation charge	(8)	(53)	(12,853)	(188)	(106)	(1,273)	(16)	(3)	-	(14,500)
At 31 December 2015/	351	2,275	76,988	711	416	8,863	63	17	4,305	93,989
1 January 2016	5,588	-	-	-	-	-	-	-	96	5,684
Transfer from investment properties (Note 5)	-	-	24,633	646	152	2,065	-	53	806	28,355
Additions	-	-	(7,118)	-	-	(63)	-	-	-	(7,181)
Disposals	-	-	(2)	(41)	-	(31)	-	-	-	(74)
Written off	(66)	(53)	(13,613)	(239)	(135)	(1,556)	(16)	(6)	-	(15,684)
Depreciation charge	5,873	2,222	80,888	1,077	433	9,278	47	64	5,207	105,089
At 31 December 2016	5,873	2,222	80,888	1,077	433	9,278	47	64	5,207	105,089

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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



	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Site equipment RM'000	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Furniture and fittings RM'000	Capital work-in- progress ^ RM'000	Total RM'000
At 31 December 2014										
At cost	385	2,635	106,855	1,710	733	9,921	202	50	2,962	125,453
Accumulated depreciation	(26)	(307)	(26,143)	(1,070)	(339)	(2,926)	(143)	(44)	-	(30,998)
Net book value	359	2,328	80,712	640	394	6,995	59	6	2,962	94,455
At 31 December 2015										
At cost	385	2,635	107,102	1,969	861	12,597	222	63	4,305	130,139
Accumulated depreciation	(34)	(360)	(30,114)	(1,258)	(445)	(3,734)	(159)	(46)	-	(36,150)
Net book value	351	2,275	76,988	711	416	8,863	63	17	4,305	93,989
At 31 December 2016										
At cost	6,149	2,635	117,430	2,150	1,013	14,090	222	116	5,207	149,012
Accumulated depreciation	(276)	(413)	(36,542)	(1,073)	(580)	(4,812)	(175)	(52)	-	(43,923)
Net book value	5,873	2,222	80,888	1,077	433	9,278	47	64	5,207	105,089

^ Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period.

In FYE 31 December 2016, there is a change in use of a piece of leasehold land transferred from investments properties to property, plant and equipment. The management's intention is to construct a workshop on this piece of leasehold land.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Initiated For Identification Purposes Only



AF 1018

- (a) Included in the net book value of property, plant and equipment of the Group at the end of the reporting period were the following assets acquired under hire purchase terms:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Plant and machinery	62,629	58,894	65,513
Motor vehicles	6,018	7,640	7,431
	<u>68,647</u>	<u>66,534</u>	<u>72,944</u>

- (b) Included in the net book value of property, plant and equipment of the Group at the end of the reporting period were the following assets acquired through controlled transfer:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Plant and machinery	-	6,094	139
	<u>-</u>	<u>6,094</u>	<u>139</u>

- (c) The net book value of the following property, plant and equipment of the Group were pledged to licensed banks as security for banking facilities granted to the Group:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Leasehold land	359	351	5,873
Buildings	2,328	2,275	2,222
Capital work-in-progress	2,962	4,305	5,111
	<u>5,649</u>	<u>6,931</u>	<u>13,206</u>

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENT PROPERTIES

Initialed For Identification Purposes Only



AF 1018

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Cost			
At 1 January	5,932	8,119	37,948
Additions during the financial year	2,187	29,829	6,655
Disposal during the financial year	-	-	(7,138)
Transfer to property, plant and equipment (Note 4)	-	-	(5,861)
At 31 December	8,119	37,948	31,604
Accumulated amortisation			
At 1 January	(59)	(118)	(302)
Additions during the financial year	(59)	(184)	(481)
Disposal during the financial year	-	-	77
Transfer to property, plant and equipment (Note 4)	-	-	177
At 31 December	(118)	(302)	(529)
Net carrying value	8,001	37,646	31,075
<i>Represented by:-</i>			
Completed investment properties:			
- leasehold land	5,647	19,226	6,458
- freehold land	-	-	1,927
- buildings	-	13,700	17,359
	5,647	32,926	25,744
Investment properties under construction:			
- buildings	2,354	4,720	5,331
	8,001	37,646	31,075
Investment properties charged to financial institutions for banking facilities granted to the Group	5,647	27,084	28,407
Estimated fair value of completed investment properties as at the end of the reporting period	5,510	35,878	27,704

The fair values of the completed investment properties of the Group as at the end of the reporting period were based on directors' assessment of the current prices in an active market for the respective properties within each vicinity.

The fair value of the investment properties under construction cannot be reliably determined until either its fair value becomes reliably determinable or construction is completed, whichever is earlier.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

6. GOODWILL

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
At 1 January	1,282	-	-
Impairment during the financial year	(1,282)	-	-
At 31 December	-	-	-

In FYE 31 December 2014, an impairment loss of RM1,282,319 of the goodwill was recognised in "Other Operating Expenses" line item of the statements of profit or loss and other comprehensive income.

7. DEFERRED TAX ASSETS/(LIABILITIES)

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
At 1 January	(1,895)	(944)	(2,797)
Recognised in profit or loss (Note 24)	951	(1,853)	(1,937)
At 31 December	(944)	(2,797)	(4,734)
Presented as follows:-			
Deferred tax assets	1,827	1,095	-
Deferred tax liabilities	(2,771)	(3,892)	(4,734)
	(944)	(2,797)	(4,734)

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

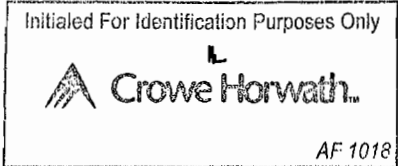
	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Deferred tax asset:-			
Unrealised profits on contract works	1,827	1,095	-
Deferred tax liabilities:-			
Accelerated capital allowances over depreciation	(2,771)	(3,892)	(4,641)
Others	-	-	(93)
	(944)	(2,797)	(4,734)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. AMOUNTS OWING BY/(TO) CONTRACT CUSTOMERS



	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Amount owing by:-			
Contract costs incurred to-date	65,041	137,461	34,716
Attributable profits	8,363	7,892	2,007
	<hr/>	<hr/>	<hr/>
Progress billings	73,404 (70,374)	145,353 (141,202)	36,723 (33,195)
	<hr/>	<hr/>	<hr/>
	3,030	4,151	3,528
Amount owing to:-			
Contract costs incurred to-date	112,880	103,875	212,304
Attributable profits	17,179	11,718	34,159
	<hr/>	<hr/>	<hr/>
Progress billings	130,059 (150,314)	115,593 (130,567)	246,463 (266,821)
	<hr/>	<hr/>	<hr/>
	(20,255)	(14,974)	(20,358)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

9. TRADE RECEIVABLES

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Trade receivables	53,402	67,966	88,485
Retention sums	29,970	28,986	31,106
	83,372	96,952	119,591
Allowance for impairment losses	(1,378)	(333)	(106)
	81,994	96,619	119,485
Allowance for impairment losses:-			
At 1 January	-	(1,378)	(333)
Additions during the financial year	(1,378)	-	-
Reversal during the financial year	-	926	227
Written off during the financial year	-	119	-
At 31 December	(1,378)	(333)	(106)

(a) The Group's normal trade credit terms are as follows:-

	FYE 31 DECEMBER		
	2014 Days	2015 Days	2016 Days
Credit terms	30 to 60	30 to 60	30 to 60

Other credit terms are assessed and approved on a case-by-case basis.

(b) The retention sums are unsecured, interest-free and expected to be collected within the following periods:-

	FYE 31 DECEMBER		
	2014 Years	2015 Years	2016 Years
Expected collection periods	1 to 4	1 to 4	1 to 3

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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AF 1018

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Other receivables	4,660	6,083	6,512
Deposits	4,744	5,401	3,316
Prepayments	1,438	1,158	1,421
	10,842	12,642	11,249
Allowance for impairment losses	(408)	(447)	(447)
	10,434	12,195	10,802
Allowance for impairment losses:-			
At 1 January	-	(408)	(447)
Addition during the financial year	(408)	(39)	-
At 31 December	(408)	(447)	(447)

Included in other receivables at the end of FYE 31 December 2016 is an amount of RM3,040,000 represents the remaining proceeds from the disposal of a piece of leasehold land during the same financial year for a total consideration of RM7,200,000. The amount has been subsequently collected.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. AMOUNTS OWING BY/(TO) RELATED PARTIES

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	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Amount owing by:-			
Trade balances:			
- non-retention sums	1,350	-	-
Amount owing to:-			
Trade balances:			
- non-retention sums	(1,179)	-	-
- retention sums	(79)	-	-
Non-trade balances	(4)	-	-
	(1,262)	-	-

- (a) The trade balances at the end of FYE 31 December 2014 were subject to the normal trade credit term of 30 days.
- (b) The retention sums at the end of FYE 31 December 2014 were unsecured, interest-free and expected to be collected/paid within a year.
- (c) The non-trade balance at the end of FYE 31 December 2014 was unsecured, interest-free and repayable on demand.
- (d) The amounts owing have been settled in cash.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

12. DEPOSITS WITH LICENSED BANKS

The deposits with licensed banks of the Group are pledged to banks for bank credit facilities granted to the Group.

Included in the deposits with licensed banks of the Group at the end of the previous reporting periods were the following amounts which were held in trust for the Group by the directors of the Company:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Deposits held in trust by directors	2,473	749	-

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

	FYE 31 DECEMBER		
	2014 %	2015 %	2016 %
Effective interest rates	2.70 to 3.30	2.70 to 3.45	2.70 to 3.70

The maturity periods of the deposits as at the end of the reporting period were as follows:-

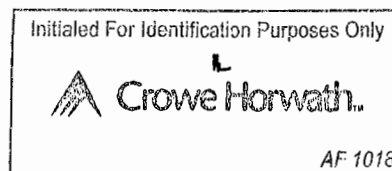
	FYE 31 DECEMBER		
	2014 Days	2015 Days	2016 Days
Maturity period (days)	30 to 365	30 to 365	30 to 365

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE CAPITAL



	Par value RM	Number of Shares '000	Share Capital RM'000
Ordinary shares:-			
FYE 31 DECEMBER 2014			
Authorised share capital	1.00	5,000	5,000
Issued and fully paid-up	1.00	1,248	1,248
FYE 31 DECEMBER 2015			
Authorised share capital	1.00	5,000	5,000
Issued and fully paid-up	1.00	1,248	1,248
FYE 31 DECEMBER 2016			
Authorised share capital:-			
At 1 January	1.00	5,000	5,000
- Share split	0.10	45,000	-
- Created during the financial year	0.10	450,000	45,000
At 31 December	0.10	500,000	50,000
Issued and fully paid up:-			
At 1 January	1.00	1,248	1,248
- Share split	0.10	11,235	-
- Bonus issue	0.10	299,595	29,960
At 31 December	0.10	312,078	31,208

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company.

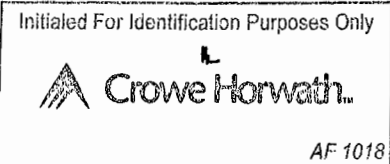
During FYE 31 December 2016, the Company has undertaken a share split and a bonus issue exercises by:-

- subdivision of every existing one (1) ordinary share of RM1.00 each into ten (10) subdivided ordinary shares of RM0.10 each; and
- bonus issue on the basis of twenty-four (24) bonus shares for every one (1) subdivided ordinary share.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



14. LONG-TERM BORROWINGS

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Hire purchase payables (Note 15)	26,529	15,683	19,249
Term loans (Note 16)	7,531	10,735	23,461
	34,060	26,418	42,710

15. HIRE PURCHASE PAYABLES

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Minimum hire purchase payments:			
- not later than 1 year	26,348	25,102	16,804
- later than 1 year and not later than 5 years	27,773	16,369	21,146
	54,121	41,471	37,950
Less: Future finance charges	(3,665)	(2,355)	(3,456)
Present value of hire purchase payables	50,456	39,116	34,494
<u>Current (Note 20)</u>			
Not later than 1 year	23,927	23,433	15,245
<u>Non-current (Note 14)</u>			
Later than 1 year and not later than 5 years	26,529	15,683	19,249
	50,456	39,116	34,494

16. TERM LOANS

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
<u>Current (Note 20)</u>			
Not later than 1 year	639	601	3,966
<u>Non-current (Note 14)</u>			
Later than 1 year and not later than 2 years	694	798	5,153
Later than 2 years and not later than 5 years	2,762	3,299	6,264
Later than 5 years	4,075	6,638	12,044
	7,531	10,735	23,461
	8,170	11,336	27,427

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. TERM LOANS (CONT'D)

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Details of the repayment terms are as follows:-

Term Loan	Monthly Instalment RM'000	Number of Monthly Instalment	Date of Commencement of Repayment	Amount Outstanding FYE 31 DECEMBER		
				2014 RM'000	2015 RM'000	2016 RM'000
1	10	180	July 2007	839	-	-
2	15	60	February 2010	42	-	-
3	11	45	July 2011	33	-	-
4	10	120	November 2012	949	829	705
5	50	120	January 2014	4,320	3,939	-
6	3	300	January 2016	-	460	449
7	2	300	January 2016	-	355	346
8	2	300	January 2016	-	432	421
9	2	300	January 2016	-	436	424
10	3	168	February 2016	-	264	376
11	5	240	September 2017	-	268	536
12	6	180	February 2017	-	393	671
13	5	180	February 2017	-	296	508
14	29	240	August 2017	1,987	3,411	4,283
15	9	240	February 2018	-	253	742
16	6	240	December 2017	-	-	222
17	9	240	June 2018	-	-	363
18	9	240	June 2018	-	-	335
19	8	240	August 2016	-	-	1,162
20	4	240	July 2016	-	-	651
21	30	120	February 2017	-	-	3,633
22	200	23	December 2016	-	-	5,600
	Balloon repayment	1				
23	24	84	February 2017	-	-	2,000
24	48	84	February 2017	-	-	4,000
				8,170	11,336	27,427

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****16. TERM LOANS (CONT'D)**

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AF 1018

- (a) Term loan 1 was secured by:-
- (i) a legal charge over a building of a subsidiary;
 - (ii) a corporate guarantee of the Company and a third party; and
 - (iii) a joint and several guarantee of the close family members and directors of the Company.
- (b) Term loan 2 was secured by:-
- (i) a guarantee up to RM600,000 of the facility of SJPPB;
 - (ii) a joint and several guarantee of a director of the Company; and
 - (iii) a joint and several guarantee of a close family member to a director of the Company.
- (c) Term loan 3 was secured by:-
- (i) a corporate guarantee of a third party;
 - (ii) a joint and several guarantee by two of the directors of the Company; and
 - (iii) a guarantee of SJPPB.
- (d) Term loan 4 is secured by:-
- (i) a legal charge over a piece of leasehold land and building of the Company;
 - (ii) the deposits with a licensed bank of the Company; and
 - (iii) a joint and several guarantee by two of the directors of the Company.
- (e) Term loan 5 was secured by:-
- (i) a facility agreement for the sum of RM4,675,000;
 - (ii) a legal charge over a piece of leasehold land of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee by two of the directors of the Company.
- (f) Term loans 6, 7, 8 and 9 are secured by:-
- (i) a facility agreement for loan amounts of RM458,400, RM353,400, RM430,800 and RM434,400 respectively;
 - (ii) a deed of assignment and a power attorney over 4 units of property of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee by two of the directors of the Company.
- (g) Term loan 10 is secured by:-
- (i) a facility agreement for the sum of RM396,540;
 - (ii) a deed of assignment and a power of attorney over a property of a subsidiary; and
 - (iii) a joint and several guarantee by two of the directors of the Company.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

16. TERM LOANS (CONT'D)

- (h) Term loan 11 is secured by:-
- (i) a facility agreement for the sum of RM803,280;
 - (ii) a deed of assignment over a double storey terrace house of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee by two of the directors of the Company.
- (i) Term loan 12 is secured by:-
- (i) a facility agreement for the sum of RM672,000;
 - (ii) a deed of assignment and a power of attorney over a piece of vacant bungalow of a subsidiary; and
 - (iii) a joint and several guarantee by two of the directors of the Company.
- (j) Term loan 13 is secured by:-
- (i) a facility agreement for the sum of RM507,600;
 - (ii) a deed of assignment and a power of attorney over a piece of vacant bungalow land of a subsidiary; and
 - (iii) a joint and several guarantee by two of the directors of the Company.
- (k) Term loan 14 is secured by:-
- (i) a facility agreement for the sum of RM4,557,500;
 - (ii) a deed of assignment and a power of attorney over a unit of office of a subsidiary;
 - (iii) a corporate guarantee of the Company; and
 - (iv) a joint and several guarantee by two of the directors of the Company.
- (l) Term loan 15 is secured by:-
- (i) a facility agreement for the sum of RM1,399,400;
 - (ii) a deed of assignment and a power of attorney over a unit of office suite of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee by two of the directors of the Company; and
 - (v) an assignment of rental proceeds over a unit of office suite of a subsidiary.
- (m) Term loan 16 is secured by:-
- (i) a facility agreement for the sum of RM868,800;
 - (ii) a deed of assignment over a unit of double storey semi-detached house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee by two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

16. TERM LOANS (CONT'D)

- (n) Term loan 17 is secured by:-
- (i) a facility agreement for the sum of RM1,453,200;
 - (ii) a deed of assignment and power attorney over a unit of double storey semi-detached house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee by two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.
- (o) Term loan 18 is secured by:-
- (i) a facility agreement for the sum of RM1,338,600;
 - (ii) a deed of assignment and power attorney over a unit of double storey semi-detached house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee by two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey semi-detached house of a subsidiary.
- (p) Term loan 19 is secured by:-
- (i) a facility agreement for the sum of RM1,175,915;
 - (ii) a legal charge over a unit of double storey zero lot bungalow of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee by two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey zero lot bungalow of a subsidiary.
- (q) Term loan 20 is secured by:-
- (i) a facility agreement for the sum of RM660,000;
 - (ii) a legal charge over a unit of double storey cluster house of a subsidiary;
 - (iii) a corporate guarantee of the Company;
 - (iv) a joint and several guarantee by two of the directors of the Company; and
 - (v) an assignment of rental proceeds created over a unit of double storey cluster house of a subsidiary.
- (r) Term loan 21 is secured by:-
- (i) a facility agreement for the sum of RM4,000,000;
 - (ii) a legal charge over a piece of leasehold land of a subsidiary ;
 - (iii) a corporate guarantee of the Company;
 - (iv) a corporate guarantee of a subsidiary; and
 - (v) a joint and several guarantee by two of the directors of the Company.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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AF 1018

16. TERM LOANS (CONT'D)

(s) Term loan 22 is secured by:-

- (i) a corporate guarantee of the Company;
- (ii) a joint and several guarantee by two of the directors of the Company; and
- (iii) a third party all monies first legal charge of a subsidiary.

(t) Term loans 23 and 24 are secured by:-

- (i) a corporate guarantee of the Company;
- (ii) a joint and several guarantee by two of the directors of the Company;
- (iii) third party second legal charge over a piece of leasehold industrial land of a subsidiary; and
- (iv) the deposits with a licensed bank of a subsidiary.

17. TRADE PAYABLES

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Trade payables	22,661	34,962	32,799
Retention sums	6,392	7,205	8,236
	<u>29,053</u>	<u>42,167</u>	<u>41,035</u>

(a) The normal trade credit terms granted to the Group are as follows:-

	FYE 31 DECEMBER		
	2014 Days	2015 Days	2016 Days
Credit terms	14 to 60	14 to 60	14 to 60

(b) The retention sums are unsecured, interest-free and expected to be paid within the following periods:-

	FYE 31 DECEMBER		
	2014 Years	2015 Years	2016 Years
Expected payment periods	1 to 4	1 to 4	1 to 3

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

18. OTHER PAYABLES AND ACCRUALS

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
<u>Current</u>			
Other payables	26,525	16,013	20,888
Accruals	2,319	4,249	6,354
	<u>28,844</u>	<u>20,262</u>	<u>27,242</u>
<u>Non-current</u>			
Other payables	-	8,910	-
	<u>28,844</u>	<u>29,172</u>	<u>27,242</u>
Included in other payables are the amount owing to certain former related parties	18,583	-	-

19. DIVIDENDS PAYABLE

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
In respect of the FYE 31 December 2016:			
- a third interim single-tier dividend approximately 1 sen per ordinary share	-	-	4,500
- a fourth interim single-tier dividend approximately 2 sen per ordinary share	-	-	5,000
	<u>-</u>	<u>-</u>	<u>9,500</u>

The dividends payable as at the end of FYE 31 December 2016 have been subsequently paid to the shareholders on 10 January 2017 and 28 February 2017, respectively.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. SHORT-TERM BORROWINGS

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AF 1018

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Hire purchase payables (Note 15)	23,927	23,433	15,245
Term loans (Note 16)	639	601	3,966
Bank factoring	-	4,834	-
Bankers' acceptances	2,184	2,540	3,348
Invoice financing	-	1,850	4,453
Revolving credit	-	6,000	6,000
	<u>26,750</u>	<u>39,258</u>	<u>33,012</u>

The bank borrowings are secured by:-

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

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

21. BANK OVERDRAFTS

The bank overdrafts are secured by:-

- (a) a legal charge over a piece of leasehold land and building of the Company, and a building of a subsidiary as disclosed in Note 4 to the financial statements;
- (b) a legal charge over certain buildings and leasehold land of a subsidiary as disclosed in Note 5 to the financial statements;
- (c) the collection of sinking fund of RM70,000 per month in the form of fixed deposit for a period of 36 months by a subsidiary;
- (d) a letter of subordination by the Company to subordinate the amount due by a subsidiary;
- (e) a corporate guarantee of the Company;
- (f) the deposits with licensed banks of the Company and a subsidiary;
- (g) a joint and several guarantee by two of the directors of the Company; and
- (h) a Deed of Assignment of certain contract proceeds by a subsidiary.

22. REVENUE

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Contract income	184,341	230,338	213,970
Rental income	-	-	32
Sale of goods	15,208	30,108	17,111
Hiring of machinery	33	259	205
Day work revenue	227	3,602	3,350
	199,809	264,307	234,668

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

23. PROFIT BEFORE TAXATION

FYE 31 DECEMBER

	2014 RM'000	2015 RM'000	2016 RM'000
Profit before taxation is arrived at after charging/(crediting):-			
Allowance for impairment losses:			
- trade receivables	1,378	-	-
- other receivables	408	39	-
Audit fee:			
- statutory audit:			
- current financial year	90	90	100
- underprovision in prior financial year	-	-	10
- non-statutory audit	-	180	48
Bad debts written off	1	1	-
Depreciation:			
- investment properties	59	184	481
- property, plant and equipment	12,110	14,500	15,684
Direct operating expenses on investment properties:			
- income generating investment properties	-	-	6
- non-income generating investment properties	16	35	142
Directors' remuneration:			
- fees	-	-	17
- non-fee emoluments	1,548	1,702	2,967
- benefits-in-kind	52	53	95
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:			
- bank factoring	-	61	180
- bank overdrafts	763	1,014	1,684
- bankers' acceptances	135	172	185
- hire purchase	2,904	3,009	2,022
- invoice financing	-	113	240
- revolving credit	-	177	262
- term loans	377	359	928
- others	-	-	193
Property, plant and equipment written off	711	627	74
Rental of machinery	4,676	6,429	5,339
Rental of site equipment	104	138	235
Rental of motor vehicles	8	-	22
Rental of workshop	-	-	42
Rental of land	-	-	3
Rental of premises:			
- a related party	344	-	-
- a director	66	66	66
- third party	-	3	3

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

23. PROFIT BEFORE TAXATION (CONT'D)

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Staff costs:			
- salaries, bonuses, allowances and wages	20,393	23,498	28,579
- defined contribution plan	1,295	1,987	2,129
- other benefits	1,183	1,008	1,615
Compensation received from trade receivables arising from litigation	-	(1,512)	(132)
Gain on disposal of property, plant and equipment	(640)	(600)	(659)
Gain on disposal of an investment property	-	-	(139)
Interest income:			
- deposits with licensed banks	(341)	(506)	(573)
- trade receivables	-	-	(887)
Rental income	(84)	-	(17)
Reversal of impairment losses on trade receivables	-	(926)	(227)

24. INCOME TAX EXPENSE

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Current tax:			
- current financial year	9,450	8,454	8,628
- (over)/underprovision in the previous financial year	(60)	(268)	133
	9,390	8,186	8,761
Deferred tax (Note 7):			
- origination and reversal of temporary differences	(1,002)	1,566	2,245
- under/(over)provision in the previous financial year	51	287	(152)
- effect of change in corporate tax rate from 25% to 24%	-	-	(156)
	(951)	1,853	1,937
	8,439	10,039	10,698
Domestic income tax rate:-			
Corporate income tax rate on the first RM500,000 of chargeable income	20%	20%	N/A
Income tax rate applicable to the balance of chargeable income	25%	25%	24%

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. INCOME TAX EXPENSE (CONT'D)

Initialed For Identification Purposes Only



AF 1018

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

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Profit before taxation	29,850	39,979	37,146
Tax at the statutory tax rate	7,462	9,995	8,915
Tax effects of:-			
Non-deductible expenses	1,187	1,203	2,057
Non-taxable gains	(80)	(1,102)	(147)
Effect of change in corporate income tax rate from 25% to 24%	-	-	(156)
Deferred tax assets not recognised during the financial year	23	17	49
Utilisation of deferred tax assets not recognised in the previous financial year	(19)	(3)	(1)
(Over)/Underprovision in the previous financial year:			
- current tax	(60)	(268)	133
- deferred tax	51	287	(152)
Differential in tax rates	(125)	(90)	-
Income tax expense for the financial year	8,439	10,039	10,698

The tax savings during the financial year arising from:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Utilisation of deferred tax assets previously not recognised which arose from tax losses	19	3	1

No deferred tax assets have been recognised in respect of the following items:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Unutilised tax losses	485	475	522
Unabsorbed capital allowances	-	-	11
Allowance for impairment losses	91	130	270
	576	605	803

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

25. EARNINGS PER SHARE

	FYE 31 DECEMBER		
	2014	2015	2016
Profit after tax attributable to the owners of the Company (RM'000)	21,411	29,940	26,448
Weighted average number of ordinary shares:-			
Ordinary shares at 1 January	1,248	1,248	1,248
Effect of share split ('000)	-	-	11,235
Effect of bonus issue ('000)	-	-	299,595
Weighted average number of ordinary shares at 31 December ('000)	1,248	1,248	312,078
Earnings per share (Sen) income attributable to:			
- Basic	1,715.63	2,399.04	8.47
- Diluted	1,715.63	2,399.04	8.47

The basic earnings per share of the Group is calculated by dividing the Group's profit after tax attributable to the owners of the Company by the weighted average number of ordinary shares in issue during respective financial years.

The Company has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

26. DIVIDENDS

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
In respect of the FYE 31 December 2016:			
- a first interim single-tier dividend approximately 80 sen per ordinary share	-	-	1,000
- a second interim single-tier dividend approximately 320 sen per ordinary share	-	-	4,000
- a third interim single-tier dividend approximately 1 sen per ordinary share	-	-	4,500
- a fourth interim single-tier dividend approximately 2 sen per ordinary share	-	-	5,000
	-	-	14,500

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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AF 1018

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Cost of property, plant and equipment purchased	42,678	15,679	28,355
Amount financed through hire purchase	(39,814)	(11,274)	(18,462)
Other payables	-	-	(7,365)
Cash disbursed for purchase of property, plant and equipment	2,864	4,405	2,528

28. CASH AND CASH EQUIVALENTS

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

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Deposits with licensed 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)
	9,056	3,222	14,822
Less: Deposits pledged to licensed banks	(12,274)	(14,601)	(20,830)
	(3,218)	(11,379)	(6,008)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL COMPENSATION

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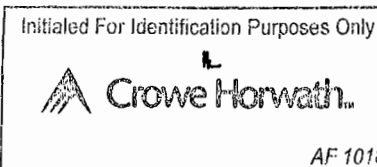
The key management personnel of the Group include executive directors and non-executive directors of the Company and certain members of senior management of the Group.

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Directors of the Company			
Executive directors:-			
Short-term employee benefits:			
- salaries, bonuses and other benefits	1,548	1,702	2,630
- defined contribution plan	-	-	332
- benefits-in-kind	52	53	95
	<u>1,600</u>	<u>1,755</u>	<u>3,057</u>
Non-executive directors:-			
Short-term employee benefits:			
- fees	-	-	17
- other benefits	-	-	5
	<u>-</u>	<u>-</u>	<u>22</u>
	<u>1,600</u>	<u>1,755</u>	<u>3,079</u>

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



30. RELATED PARTY DISCLOSURES

30.1 Identities of Related Parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, holding company, key management personnel and entities within the same group of companies.

30.2 Related Party Transactions and Balances

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

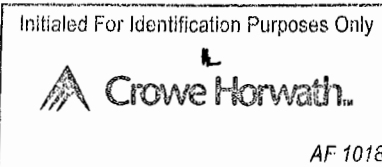
	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Related parties			
Received and receivable:-			
Contract revenue	11,672	-	-
Sale of goods	497	37	-
Paid and payable:-			
Rental of premises	344	-	-
Secondment charge	58	-	-
Subcontractors' fee	686	(129)	-
Director			
Paid and payable:-			
Rental of premise	66	66	66

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. OPERATING SEGMENTS



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

The followings are the Group's main business segments:

- (a) Construction and Support Services – involved in Earthworks and Civil Engineering Services; and
- (b) Property Investments – involved in sales of investment properties for capital gain and rental of investment properties.

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

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. OPERATING SEGMENTS (CONT'D)

	Construction and Support Services RM'000	Property Investment RM'000	Consolidation Adjustments RM'000	Total RM'000
FYE 31 DECEMBER 2014				
Revenue				
External revenue	199,809	-	-	199,809
Inter-segment revenue	90,872	-	(90,872)	-
Consolidated revenue	290,681	-	(90,872)	199,809
Results				
Segment results	41,694	(92)	(7,897)	33,705
Interest income				341
				34,046
Finance costs				(4,196)
Consolidated profit before taxation				29,850
Income tax expense				(8,439)
Consolidated profit after taxation				21,411
Assets				
Segment assets	243,765	11,371	(40,179)	214,957
Deferred tax assets				1,827
Current tax assets				372
Consolidated total assets				217,156
Liabilities				
Segment liabilities	167,152	11,280	(31,571)	146,861
Deferred tax liabilities				2,771
Current tax liabilities				3,791
Consolidated total liabilities				153,423

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

31. OPERATING SEGMENTS (CONT'D)

	Construction and Support Services RM'000	Property Investment RM'000	Consolidation Adjustments RM'000	Total RM'000
FYE 31 DECEMBER 2014				
Other segment items:				
Capital expenditure:				
- investment properties	-	2,187	-	2,187
- property, plant and equipment	42,678	-	-	42,678
Allowance for impairment losses:				
- trade receivables	1,378	-	-	1,378
- other receivables	408	-	-	408
Depreciation:				
- investment properties	-	59	-	59
- property, plant and equipment	12,110	-	-	12,110
Direct operating expenses on investment properties:				
- non-income generating investment properties	-	16	-	16
Fair value adjustments:				
- amount owing by related parties	(228)	-	-	(228)
- trade payables	3	-	-	3
- amount owing to related parties	1	-	-	1
Impairment loss on goodwill	1,282	-	-	1,282
Interest expense	4,179	-	-	4,179
Property, plant and equipment written off	711	-	-	711
Gain on disposal of property, plant and equipment	(640)	-	-	(640)
Interest income	(341)	-	-	(341)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

31. OPERATING SEGMENTS (CONT'D)

	Construction and Support Services RM'000	Property Investment RM'000	Consolidation Adjustments RM'000	Total RM'000
FYE 31 DECEMBER 2015				
Revenue				
External revenue	264,307	-	-	264,307
Inter-segment revenue	68,836	-	(68,836)	-
Consolidated revenue	<u>333,143</u>	<u>-</u>	<u>(68,836)</u>	<u>264,307</u>
Results				
Segment results	50,202	(275)	(5,549)	44,378
Interest income				506
				<u>44,884</u>
Finance costs				<u>(4,905)</u>
Consolidated profit before taxation				39,979
Income tax expense				<u>(10,039)</u>
Consolidated profit after taxation				<u>29,940</u>
Assets				
Segment assets	281,389	42,477	(58,963)	264,903
Deferred tax assets				1,095
Current tax assets				1,276
Consolidated total assets				<u>267,274</u>
Liabilities				
Segment liabilities	170,695	42,630	(44,255)	169,070
Deferred tax liabilities				3,892
Current tax liabilities				639
Consolidated total liabilities				<u>173,601</u>

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

31. OPERATING SEGMENTS (CONT'D)

	Construction and Support Services RM'000	Property Investment RM'000	Consolidation Adjustments RM'000	Total RM'000
FYE 31 DECEMBER 2015				
Other segment items:				
Capital expenditure:				
- investment properties	-	29,829	-	29,829
- property, plant and equipment	21,773	-	(6,094)	15,679
Allowance for impairment losses:				
- other receivables	39	-	-	39
Depreciation:				
- investment properties	-	184	-	184
- property, plant and equipment	14,500	-	-	14,500
Direct operating expenses on investment properties:				
- non-income generating investment properties	-	35	-	35
Fair value adjustments:				
- trade receivables	575	-	-	575
- trade payables	(316)	-	-	(316)
Interest expense	4,635	270	-	4,905
Property, plant and equipment written off	627	-	-	627
Gain on disposal of property, plant and equipment	(600)	-	-	(600)
Interest income	(506)	-	-	(506)
Reversal of impairment losses on trade receivables				
	(926)	-	-	(926)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initiated For Identification Purposes Only



AF 1018

31. OPERATING SEGMENTS (CONT'D)

	Construction and Support Services RM'000	Property Investment RM'000	Consolidation Adjustments RM'000	Total RM'000
FYE 31 DECEMBER 2016				
Revenue				
External revenue	234,636	32	-	234,668
Inter-segment revenue	68,042	-	(68,042)	-
Consolidated revenue	302,678	32	(68,042)	234,668
Results				
Segment results	61,681	(680)	(18,734)	42,267
Interest income				573
				42,840
Finance costs				(5,694)
Consolidated profit before taxation				37,146
Income tax expense				(10,698)
Consolidated profit after taxation				26,448
Assets				
Segment assets	327,466	45,656	(78,691)	294,431
Current tax assets				1,457
Consolidated total assets				295,888
Liabilities				
Segment liabilities	205,087	47,148	(68,749)	183,486
Deferred tax liabilities				4,734
Current tax liabilities				2,047
Consolidated total liabilities				190,267

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

31. OPERATING SEGMENTS (CONT'D)

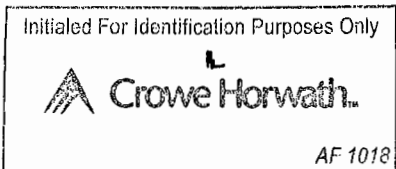
	Construction and Support Services RM'000	Property Investment RM'000	Consolidation Adjustments RM'000	Total RM'000
FYE 31 DECEMBER 2016				
Other segment items:				
Capital expenditure:				
- investment properties	-	6,655	-	6,655
- property, plant and equipment	28,494	-	(139)	28,355
Depreciation:				
- investment properties	-	481	-	481
- property, plant and equipment	15,684	-	-	15,684
Direct operating expenses on investment properties:				
- income generating investment properties	-	6	-	6
- non-income generating investment properties	-	142	-	142
Fair value adjustments:				
- trade receivables	(427)	-	-	(427)
- trade payables	18	-	-	18
Interest expense	5,041	653	-	5,694
Property, plant and equipment written off	74	-	-	74
Gain on disposal of property, plant and equipment	(659)	-	-	(659)
Gain on disposal of an investment property	-	(139)	-	(139)
Interest income:				
- deposits with licensed	(573)	-	-	(573)
- trade receivables	(887)	-	-	(887)
Reversal of impairment losses on trade receivables	(227)	-	-	(227)

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. CAPITAL COMMITMENTS



	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Approved and contracted for:-			
Purchase of property, plant and equipment	4,764	2,170	4,525
Purchase of investment properties	7,602	9,353	4,711
	<u>12,366</u>	<u>11,523</u>	<u>9,236</u>

33. OPERATING LEASE COMMITMENT

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

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Not later than 1 year	1,926	342	1,260
Later than 1 year and not later than 5 years	342	-	1,680
	<u>2,268</u>	<u>342</u>	<u>2,940</u>

12. ACCOUNTANT'S REPORT (CONT'D)**ADVANCECON HOLDINGS BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****34. FINANCIAL INSTRUMENTS**

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The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

34.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk**(i) Foreign Currency Risk**

The Group does not have any transactions or balances denominated in foreign currencies and hence is not exposed to foreign currency risk.

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined by MFRS 7 since neither their carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONT'D)

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34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

The Group's exposure to interest risk that based on the carrying amounts of the financial instruments at the end of the reporting period is summarised as follows:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Floating rate instruments			
Bank overdrafts	6,637	17,081	9,629
Term loans	8,170	11,336	27,427
Bank factoring	-	4,834	-
Bankers' acceptances	2,184	2,540	3,348
Invoice financing	-	1,850	4,453
Revolving credit	-	6,000	6,000
	16,991	43,641	50,857

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Effects on Profit After Taxation			
Increase of 100 basis point (bp)	(127)	(327)	(387)
Decrease of 100 bp	127	327	387

(iii) Equity Price Risk

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

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONT'D)

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34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

The Group provides financial guarantee to financial institutions for credit facilities granted to certain subsidiaries. The Group monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 3 customers which constituted approximately 63% of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the end of the reporting period.

The Group does not have exposure to international credit risk as the entire trade receivables (including amount owing by related parties) are concentrated in Malaysia.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis

The ageing analysis of the Group trade receivables at the end of the reporting period is as follows:-

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Value RM'000
FYE 31 DECEMBER 2014				
Not past due	46,968	-	-	46,968
Past due:				
- less than 2 months	28,167	-	-	28,167
- 2 to 4 months	1,362	-	-	1,362
- over 4 months	2,361	-	-	2,361
- more than 1 year	4,514	(1,378)	-	3,136
	83,372	(1,378)	-	81,994
FYE 31 DECEMBER 2015				
Not past due	61,019	-	-	61,019
Past due:				
- less than 2 months	10,401	-	-	10,401
- 2 to 4 months	7,652	-	-	7,652
- over 4 months	15,884	-	-	15,884
- more than 1 year	1,996	(333)	-	1,663
	96,952	(333)	-	96,619
FYE 31 DECEMBER 2016				
Not past due	89,645	-	-	89,645
Past due:				
- less than 2 months	18,308	-	-	18,308
- 2 to 4 months	7,792	-	-	7,792
- over 4 months	2,194	-	-	2,194
- more than 1 year	1,652	(106)	-	1,546
	119,591	(106)	-	119,485

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing Analysis (Cont'd)

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

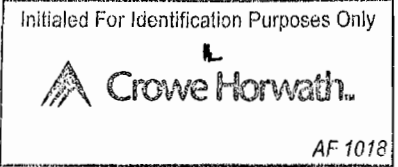
The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-



12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

	Contractual Interest Rate %	Contractual Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
FYE 31 DECEMBER 2014						
Trade payables	-	29,053	29,053	29,053	-	-
Other payables and accruals:						
- current	-	28,844	28,844	28,844	-	-
Amount owing to related parties	-	1,262	1,262	1,262	-	-
Bank overdrafts	8.20 - 8.35	6,637	6,637	6,637	-	-
Hire purchase payables	3.96 - 7.19	50,456	54,121	26,348	27,773	-
Term loans	4.75 - 8.35	8,170	10,056	959	4,664	4,433
Bankers' acceptances	5.11 - 5.34	2,184	2,184	2,184	-	-
		126,606	132,157	95,287	32,437	4,433
FYE 31 DECEMBER 2015						
Trade payables	-	42,167	42,482	42,482	-	-
Other payables and accruals:						
- current	-	20,262	20,262	20,262	-	-
- non-current		8,910	8,910	-	8,910	-
Bank overdrafts	7.85 - 8.35	17,081	17,081	17,081	-	-
Hire purchase payables	3.96 - 7.16	39,116	41,471	25,102	16,369	-
Term loans	4.4 - 7.35	11,336	15,041	920	5,747	8,374
Bank factoring	10.45	4,834	4,834	4,834	-	-
Bankers' acceptances	5.28	2,540	2,540	2,540	-	-
Invoice financing	6.62	1,850	1,850	1,850	-	-
Revolving credit	4.88	6,000	6,000	6,000	-	-
		154,096	160,471	121,071	31,026	8,374

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Initialed For Identification Purposes Only



AF 1018

34. FINANCIAL INSTRUMENTS (CONT'D)

34.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

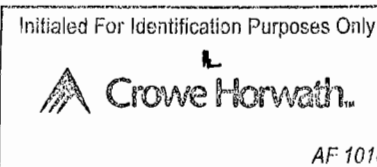
Maturity Analysis (Cont'd)

	Contractual Interest Rate %	Contractual Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	Over 5 Years RM'000
FYE 31 DECEMBER 2016						
Trade payables	-	41,035	41,332	41,332	-	-
Other payables and accruals:						
- current	-	27,242	27,242	27,242	-	-
Dividends payable		9,500	9,500	9,500	-	-
Bank overdrafts	7.60 - 8.31	9,629	9,629	9,629	-	-
Hire purchase payables	3.96 - 7.15	34,494	37,950	16,804	21,146	-
Term loans	5.69 - 8.16	27,427	35,520	5,227	14,956	15,337
Bankers' acceptances	4.94 - 5.08	3,348	3,348	3,348	-	-
Invoice financing	6.38 - 8.06	4,453	4,453	4,453	-	-
Revolving credit	4.91 - 5.90	6,000	6,000	6,000	-	-
		163,128	174,974	123,535	36,102	15,337

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



34. FINANCIAL INSTRUMENTS (CONT'D)

34.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as interest-bearing borrowings from financial institutions less cash and cash equivalents.

The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Bank overdrafts	6,637	17,081	9,629
Hire purchase payables	50,456	39,116	34,494
Term loans	8,170	11,336	27,427
Bank factoring	-	4,834	-
Bankers' acceptances	2,184	2,540	3,348
Invoice financing	-	1,850	4,453
Revolving credit	-	6,000	6,000
	67,447	82,757	85,351
Less : Deposits with licensed banks	(12,274)	(14,601)	(20,830)
Cash and bank balances	(3,419)	(5,702)	(3,621)
Net debt	51,754	62,454	60,900
	63,733	93,673	105,621
Total equity			
Debt-to-equity ratio	0.81	0.67	0.58

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. FINANCIAL INSTRUMENTS (CONT'D)

34.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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AF 1018

	FYE 31 DECEMBER		
	2014 RM'000	2015 RM'000	2016 RM'000
Financial Assets			
<u>Loans and receivables financial assets</u>			
Trade receivables	81,994	96,619	119,485
Other receivables and deposits	8,996	11,037	9,381
Amount owing by related parties	1,350	-	-
Deposits with licensed banks	12,274	14,601	20,830
Cash and bank balances	3,419	5,702	3,621
	108,033	127,959	153,317
Financial Liabilities			
<u>Other financial liabilities</u>			
Trade payables	29,053	42,167	41,035
Other payables and accruals:			
- current	28,844	20,262	27,242
- non-current	-	8,910	-
Amount owing to related parties	1,262	-	-
Dividends payable	-	-	9,500
Bank overdrafts	6,637	17,081	9,629
Hire purchase payables	50,456	39,116	34,494
Term loans	8,170	11,336	27,427
Bank factoring	-	4,834	-
Bankers' acceptances	2,184	2,540	3,348
Invoice financing	-	1,850	4,453
Revolving credit	-	6,000	6,000
	126,606	154,096	163,128

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

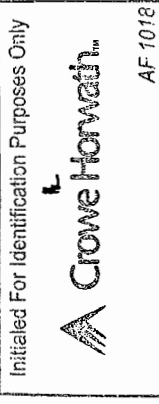
34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Company does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

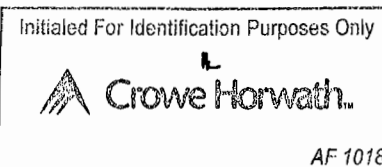
	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
FYE 31 DECEMBER 2014								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	51,972	-	51,972	50,456
Term loans	-	-	-	-	8,170	-	8,170	8,170
FYE 31 DECEMBER 2015								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	39,150	-	39,150	39,116
Term loans	-	-	-	-	11,336	-	11,336	11,336
FYE 31 DECEMBER 2016								
<u>Financial Liabilities</u>								
Hire purchase payables	-	-	-	-	34,471	-	34,471	34,494
Term loans	-	-	-	-	27,427	-	27,427	27,427



12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



34. FINANCIAL INSTRUMENTS (CONT'D)

34.4 FAIR VALUE INFORMATION (CONT'D)

The fair values above are for disclosure purposes and have been determined using the following basis:-

- (a) The fair values of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are priced to market interest rates on or near the reporting date.
- (b) The fair values of hire purchase payables that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using the interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	FYE 31 DECEMBER		
	2014	2015	2016
	%	%	%
Hire purchase payables	3.97 to 7.15	3.97 to 7.15	3.97 to 6.97

- (c) There were no transfers between the level 1 and 2 during the financial year.

35. SIGNIFICANT EVENTS DURING FYE 31 DECEMBER 2016

- (1) On 27 June 2016, Advancecon Properties Sdn Bhd ("APSB"), a wholly-owned subsidiary of the Company entered into a Sale and Purchase Agreement with Prize Venture Sdn. Bhd. (formerly known as Advancecon Sdn Bhd) for the disposal of a piece of leasehold land in Pekan Baru Sungai Buloh for a total purchase consideration of RM7,200,000.
- (2) On 23 August 2016, Advancecon was converted from a private limited company to a public company limited by shares and assumed its present name, Advancecon Holdings Berhad.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. SIGNIFICANT EVENTS DURING FYE 31 DECEMBER 2016 (CONT'D)

(3) On 24 November 2016, Advancecon obtained conditional approval from Securities Commission Malaysia to list Advancecon on the Main Market of Bursa Securities ("Bursa Securities") in connection with the listing of and quotation for the entire issued and paid-up share capital of Advancecon on the Main Market of Bursa Securities by:-

(a) Proposed Public Issue

The Proposed Public Issue of 90,000,000 new ordinary shares ("Issue Shares") at the issue price of RM0.63 per share ("IPO Price) representing approximately 22.38% of the Advancecon's enlarged issued and paid-up share capital, to be made available in the following manners:-

- (i) 30,000,000 Issue Shares for application by the Malaysian Public;
- (ii) 5,000,000 Issue Shares for application by the Company's eligible Directors and employees who have contributed to the success of the Group;
- (iii) 37,000,000 Issue Shares for application by private placement to institutional and identified investors; and
- (iv) 18,000,000 Issue Shares for application by private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry of Malaysia.

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

Upon completion of the Proposed Public Issue, the issued share capital will be increased from RM31,207,900 comprising 312,079,000 ordinary shares to RM87,907,900 comprising 402,079,000 ordinary shares.

With the enforcement of the new Companies Act 2016 effective from 31 January 2017, any newly issued shares shall have no par or nominal value. Therefore, the premium paid will be credited into the share capital account.

(b) Proposed Offer for Sale

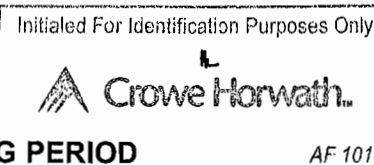
Concurrent with the Proposed Public Issue, the existing shareholders of the Advancecon will offer for sale 33,000,000 ordinary shares at the IPO Price of RM0.63 per share representing approximately 8.2% of the enlarged issued and paid-up share capital of Advancecon.

Upon completion of the Proposed Public Issue and Proposed Offer for Sale, the Company will seek the admission into the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of Advancecon Holdings Berhad on the Main Market of Bursa Securities.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



36. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (1) The Company Act 2016 came into effect on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaces the existing Companies Act 1965.

Amongst the key changes under the Companies Act 2016 that will affect the financial statements of the Group and of the Company upon its initial adoption are:-

- (a) Removal of the authorised share capital; and
- (b) Ordinary shares will cease to have par value.

The adoption of the Companies Act 2016 is to be applied prospectively. Therefore, the changes in the accounting policies and the possible impacts on the financial statements upon its initial adoption will be disclosed in the financial statements of the Group and of the Company for the financial year ending 31 December 2017.

- (2) On 28 February 2017, APSB entered into a Sale and Purchase Agreement with Chong Kong Meng and Chong Zhi Chi for the disposal of a unit of freehold land and building in Bukit Indah, Johor Bahru for a total purchase consideration of RM1,150,000.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. SUBSIDIARIES

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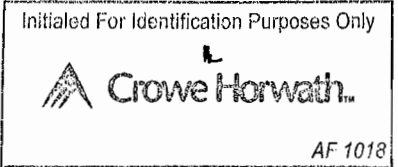
The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business	Effective Equity Interest FYE 31 DECEMBER			Principal Activities
		2014 %	2015 %	2016 %	
Advancecon Infra Sdn Bhd	Malaysia	100	100	100	Engaged in the business of providing earthworks and civil engineering services and sale of construction materials.
Advancecon Machinery Sdn Bhd	Malaysia	100	100	100	Engaged in the business of providing earth-moving machinery for hire.
Advancecon Rock Sdn Bhd	Malaysia	100	100	100	Engaged in the business of providing rock blasting services. The company is dormant effective from January 2015.
Advancecon Trading Sdn Bhd	Malaysia	100	100	100	Engaged in the business of sale of construction materials. The company is dormant effective from November 2015.
Advancecon Properties Sdn Bhd	Malaysia	100	100	100	Engaged in the business of property investment.
Inspirasi Hebat Sdn Bhd	Malaysia	100	100	100	Engaged in the business of providing on-site rock crushing services. The company has temporarily ceased its operations during FYE 31 December 2016.
SK-II Tipper Truck Services Sdn Bhd	Malaysia	100	100	100	Engaged in the business of providing tipper trucks for hire.

12. ACCOUNTANT'S REPORT (CONT'D)

ADVANCECON HOLDINGS BERHAD

STATEMENT BY DIRECTORS



We, Dato' Phum Ang Kia and Lim Swee Chai, being two of the directors of Advancecon Holdings Berhad, state that, in the opinion of the directors, the consolidated financial statements set out on pages 5 to 80 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Equity issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of Advancecon as at 31 December 2014, 2015 and 2016 and of their financial performance and cash flows for the financial years ended on that date.

A handwritten signature in black ink, appearing to be "Phum Ang Kia".

Dato' Phum Ang Kia

A handwritten signature in black ink, appearing to be "Lim Swee Chai".

Lim Swee Chai

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP



Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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info@crowehorwath.com.my

26 May 2017

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

Dear Sirs,

**ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2016**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Advancecon and its subsidiaries (hereinafter referred to as "Advancecon Group" or "the Group") as at 31 December 2016 and the related notes (as set out in Pro Forma Consolidated Statements of Financial Position which have been initialed for the purpose of identification) prepared by the Board of Directors of Advancecon for inclusion in the Prospectus of Advancecon to be issued in connection with the listing of Advancecon on the Main Market of Bursa Malaysia Securities Berhad ("the Listing").

The applicable criteria on the basis of which the Board of Directors of Advancecon has compiled the Pro Forma Consolidated Statements of Financial Position are set out in Note 1 of the Pro Forma Consolidated Statements of Financial Position, and those specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors of Advancecon to illustrate the impact of the event or transactions set out in the Pro Forma Consolidated Statements of Financial Position of this letter on the Group's financial position as at 31 December 2016.

As part of this process, information about the Group's financial position has been extracted by the Board of Directors of Advancecon from the Company's and its subsidiaries' audited financial statements for the financial year ended 31 December 2016.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Board of Directors of Advancecon is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as set out in Note 1 of the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)



Our Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Board of Directors of Advancecon on the basis as set out in Note 1 of the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Consolidated Statement of Financial Position included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of Advancecon has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis as set out in Note 1 of the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial position used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis as set out in Note 1 of the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines involve performing procedures to assess whether the applicable criteria on the basis used by the Board of Directors of Advancecon in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)



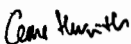
Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis as set out in Note 1 of the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

We understand that this letter will be used solely for the purpose of inclusion in the Prospectus of Advancecon Group in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

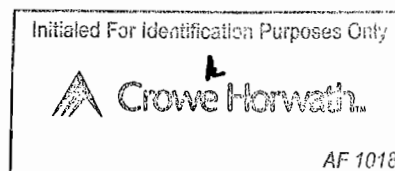
Yours faithfully


Crowe Horwath
Firm No : AF 1018
Chartered Accountants


Chin Kit Seong
Approval No : 03030/01/2019 J
Chartered Accountant

Kuala Lumpur

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)



ADVANCECON GROUP AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

1. PRO FORMA AND BASIS OF PREPARATION

1.1 Basis of Preparation

The Pro Forma Consolidated Statements of Financial Position of Advancecon Group have been prepared based on the audited Consolidated Statements of Financial Position of Advancecon Group as at 31 December 2016. The Pro Forma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the following:-

(i) Proposed Public Issue

The Proposed Public Issue of 90,000,000 Advancecon shares ("Issue Shares") at the issue price of RM0.63 per share ("IPO Price) representing approximately 22.38% of Advancecon's enlarged issued and paid-up share capital, to be made available in the following manners:-

- 30,000,000 Issue Shares for application by the Malaysian Public;
- 5,000,000 Issue Shares for application by the Company's eligible Directors and employees who have contributed to the success of the Group;
- 37,000,000 Issue Shares for application by private placement to institutional and identified investors; and
- 18,000,000 Issue Shares for application by private placement to identified Bumiputera investors approved by the Ministry of International Trade and Industry of Malaysia.

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

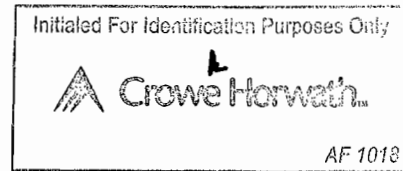
Upon completion of the Proposed Public Issue, the issued share capital will be increased from RM31,207,900 comprising 312,079,000 Advancecon shares to RM87,907,900 comprising 402,079,000 Advancecon shares.

With the enforcement of the new Companies Act 2016 effective from 31 January 2017, any newly issued shares shall have no par or nominal value. Therefore, for the purpose of this Pro Forma, the premium paid will be credited into the share capital account.

(ii) Proposed Offer for Sale

Concurrent with the Proposed Public Issue, the existing shareholders of Advancecon ("the Offerers") will offer for sale 33,000,000 Advancecon shares at the IPO Price of RM0.63 per share representing approximately 8.2% of the enlarged issued and paid-up share capital of Advancecon.

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)



**ADVANCECON GROUP AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31
DECEMBER 2016**

1. PRO FORMA AND BASIS OF PREPARATION (CONT'D)

1.2 Proposed Listing

Upon completion of the Proposed Public Issue and Proposed Offer for Sale, Advancecon will seek the admission into the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of Advancecon on the Main Market of Bursa Malaysia Securities Berhad.

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)

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**ADVANCECON GROUP AND ITS SUBSIDIARIES
NOTES TO THE PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

2. PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ADVANCECON GROUP AS AT 31 DECEMBER 2016

	Audited As at 31 December 2016 RM'000	Proposed Public Issue RM'000	Pro Forma I After Proposed Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds RM'000
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	105,089	-	105,089	29,700	134,789
Investment properties	31,075	-	31,075	-	31,075
	136,164	-	136,164	29,700	165,864
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 licensed banks	20,830	-	20,830	-	20,830
Cash and bank balances	3,621	56,700	60,321	(46,000)	14,321
	159,724	56,700	216,424	(46,000)	170,424
TOTAL ASSETS	295,888	56,700	352,588	(16,300)	336,288

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)

Initiated For Identification Purposes Only



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ADVANCECON GROUP AND ITS SUBSIDIARIES
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ADVANCECON GROUP AS AT 31 DECEMBER 2016 (CONT'D)

	Audited As at 31 December 2016 RM'000	Proposed Public Issue RM'000	Pro Forma I After Proposed Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma II	
					After Pro Forma I and Utilisation of Proceeds RM'000	After Pro Forma I and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES						
Share capital	31,208	56,700	87,908	(2,155)	85,753	85,753
Retained profits	74,413	-	74,413	(1,645)	72,768	72,768
TOTAL EQUITY	105,621	56,700	162,321	(3,800)	158,521	158,521
NON-CURRENT LIABILITIES						
Deferred tax liabilities	4,734	-	4,734	-	4,734	4,734
Long-term borrowings	42,710	-	42,710	(10,200)	32,510	32,510
	47,444	-	47,444	(10,200)	37,244	37,244
CURRENT LIABILITIES						
Amount owing to contract customers	20,358	-	20,358	-	20,358	20,358
Trade payables	41,035	-	41,035	-	41,035	41,035
Other payables and accruals	27,242	-	27,242	-	27,242	27,242
Dividend payables	9,500	-	9,500	-	9,500	9,500
Current tax liabilities	2,047	-	2,047	-	2,047	2,047
Short-term borrowings	33,012	-	33,012	(2,300)	30,712	30,712
Bank overdrafts	9,629	-	9,629	-	9,629	9,629
	142,823	-	142,823	(2,300)	140,523	140,523
TOTAL LIABILITIES	190,267	-	190,267	(12,500)	177,767	177,767
TOTAL EQUITY AND LIABILITIES	295,888	56,700	352,588	(16,300)	336,288	336,288
Number of shares ('000)	312,079		402,079		402,079	402,079
Net assets (RM'000)	105,621		162,321		158,521	158,521
Net assets per share (RM)	0.34		0.40		0.39	0.39
Borrowings (all interest-bearing debts) (RM'000)	85,351		85,351		72,851	72,851
Gearing ratio (times)	0.81		0.53		0.46	0.46

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)



ADVANCECON GROUP AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

2.1 Pro Forma I

Pro Forma I incorporates the effects of the Proposed Public Issue as set out in Section 1.1(i) above.

2.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the utilisation of the proceeds from the Proposed Public Issue.

The proceeds from the Proposed Public Issue are to be utilised as follows:-

No.	Details of utilisation	Estimated timeframe for utilisation upon Listing	Amount RM'000	Percentage of gross proceeds %
(i)	Total capital expenditures:-	Within 24 months	29,700	52.4
	(a) Purchase of new machinery and equipment	Within 12 months	15,100	26.6
	(b) Construction of new workshop	Within 24 months	14,600	25.8
(ii)	Repayment of bank borrowings	Within 6 months	12,500	22.0
	(a) Short-term borrowings	Within 6 months	2,300	4.0
	(b) Long-term borrowings	Within 6 months	10,200	18.0
(iii)	Working capital	Within 6 months	10,700	18.9
(iv)	Estimated listing expenses	Upon Listing	3,800	6.7
	Total		56,700	100.0

13. REPORTING ACCOUNTANT'S LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION OF ADVANCECON GROUP (CONT'D)

ADVANCECON GROUP AND ITS SUBSIDIARIES

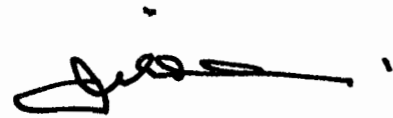
APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Advancecon in accordance with a resolution dated
26 MAY 2017

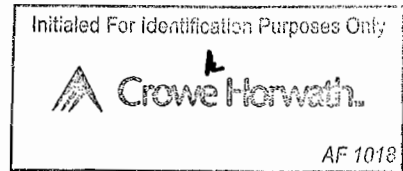
On behalf of the Board of Directors,



Dato' Phum Ang Kia
Director



Lim Swee Chai
Director



14. DIRECTOR'S REPORT

ADVANCECON

Registered Office

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

Date: 05 JUN 2017

The Shareholders of Advancecon Holdings Berhad


Advancecon Holdings Berhad ("Advancecon" or "Company")

Dear Sir/ Madam

On behalf of the Board of Directors of Advancecon ("Board"), we wish to report that, after making due enquiries in relation to our Company and its subsidiaries ("Group") during the period between 31 December 2016, being the date to which the last audited financial statements of our Group have been made up, and the date hereof, being a date not earlier than 14 days before the date of this Prospectus:-

- (a) In the opinion of the Board, the business of our Group has been satisfactorily maintained;
- (b) In the opinion of the Board, no circumstances have arisen since the last audited financial statements of our Group which have adversely affected the trading or the value of the assets of our Group;
- (c) The current assets of our Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) Save as disclosed in the Prospectus, there are no contingent liabilities have arisen by reason of any guarantees or indemnities given by our Group;
- (e) There has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/ or principal sums in relation to any borrowings in our Group since the last audited financial statements of our Group; and
- (f) Save as disclosed in the Prospectus, there has been no material change in the published reserves or any unusual factors affecting the profits of our Group since the last audited financial statements of our Group.

Yours faithfully,
For and on behalf of the Board
ADVANCECON HOLDINGS BERHAD


DATO' PHUM ANG KIA
Group Chief Executive Officer


LIM SWEE CHAI
Deputy Group Chief Executive Officer

Advancecon Holdings Berhad

(426965-M)

16 & 18, Jalan Pekaka 8/3, Seksyen 8
Kota Damansara, 47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia

T +603 6157 9563 F +603 6157 0469

E info@advancecon.com.my

www.advancecon.com.my

**EARTHWORKS PARTNER PREFERRED
BY MALAYSIA'S TOP DEVELOPERS**

15. ADDITIONAL INFORMATION

15.1 Share capital

- i. No shares will be allotted or issued on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus.
- ii. As at the date of this Prospectus, we have only one (1) class of shares, namely ordinary shares all of which rank equally with one another.
- iii. Save as disclosed in Sections 5.2 and 5.4 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Company and our Subsidiaries have been issued or are proposed to be issued as fully or partly paid-up in cash or otherwise, within the two (2) years immediately preceding the date of this Prospectus.
- iv. Save for the Issue Shares reserved for our eligible Directors and employees who have contributed to the success of our Group as disclosed in Section 3.7.1(ii) of this Prospectus:-
 - (a) none of our Group's Director or employee has been or is entitled to be given or has exercised any option to purchase or subscribe for any shares, stocks or debentures of our Company or our Subsidiaries; and
 - (b) there is currently no other scheme involving our Directors or employees in the capital of our Company or any of our Subsidiaries.
- v. Neither our Company nor any of our Subsidiaries has any capital that is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- vi. Neither our Company nor our Subsidiaries has any outstanding convertible debt securities as at the date of this Prospectus.

15.2 Limitation of rights

There are no limitations imposed by law or by the constituent documents of our Company on the right to own our securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our securities.

15.3 Articles of Association

The following provisions are reproduced from our Articles of Association. The words, terms and expressions appearing in the following provision shall bear the same meanings used in our Articles of Association unless they are otherwise defined here or the context otherwise requires:-

i. Transfer of securities

The provisions in our Articles of Association in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:-

15. ADDITIONAL INFORMATION (CONT'D)

Article 20 - Transfers of Deposited Securities

Subject to the provisions of the Depositories Act, the transfer of any Deposited Security or class of Deposited Security shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Article 21 - Persons to whom shares are not transferable

Subject to the Depositories Act, no share of the Company shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 22 – Instruments of transfer

In respect of shares which are not Deposited Securities, the instrument of transfer must be left for registration at the Office or at such other place (if any) as the Directors may appoint together with such fee not exceeding Ringgit Malaysia three (RM3) per transfer and the certificate(s) of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and if the instrument of transfer is executed by some other person on behalf of the transferor, the authority of that person so to do.

Article 24 – Register of Transfers

The Company shall maintain a book called “Register of Transfers” which shall be kept by the Secretary or such other person authorised by the Directors. Subject to Article 20, particulars of the transfer or transmission of every share shall be entered into the Register of Transfers.

ii. Remuneration of Directors

The provisions in our Articles of Association dealing with remuneration of Directors are as follows:-

Article 81 - Directors' fee

Fees from time to time payable to Directors shall be determined by a resolution passed at a general meeting of the Company. Unless otherwise directed by such resolution, any such fees shall be divided amongst the Directors into such proportions as they may agree or failing agreement, equally. Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting.

15. ADDITIONAL INFORMATION (CONT'D)

Notwithstanding anything to the contrary in these Articles, the Directors shall also be entitled to be repaid all travelling and hotel expenses properly incurred by them respectively in or about the performance of their duties as Directors, including their expenses for travelling to and from meetings of Directors or general meetings of the Company or which he may otherwise incur on or about the business of the Company. If by arrangement with the other Directors, any Director shall perform or render any special duties or service outside his ordinary duties as a Director, including residing away from his usual place of business or residence for the purpose of the Company's business or giving special attention to the business of the Company as a member of a committee of the Directors, the Directors may, in addition to his Director's fees, pay such Director remuneration for such special duties or services rendered by him in such amount and in such manner as the Directors shall determine Provided That no Director (non-executive or executive) shall, in any circumstances, be remunerated by a commission on or percentage of turnover and that nothing herein shall prejudice the power of the Directors to appoint any of their number to be the employee or agent of the Company at such remuneration (which shall not include a commission on or percentage of turnover) as the Directors may determine.

Article 82 - Restrictions on Directors' fee

The fees payable by the Company to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover. Salaries payable by the Company to executive Directors shall not include a commission on or percentage of turnover.

iii. Voting and borrowing powers of the Directors

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

Article 92 – Borrowing powers

The Directors may, at their discretion, raise or borrow from time to time such sums of moneys or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligations as they think proper for the purpose of the business of the Company or of any third party.

Article 93 – Debts of third parties

Notwithstanding anything to the contrary in these Articles, the Directors shall not borrow any money or mortgage or charge any of the Company's or any of its Subsidiaries' undertaking, property or uncalled capital, or issue debentures and other securities of the Company or any of its Subsidiaries for the benefit of, or as a security for any debt, liability or obligation of, an unrelated third party.

15. ADDITIONAL INFORMATION (CONT'D)**Article 94 – Issue of bonds, debentures, debenture stocks and securities**

- (1) *Subject to these Articles and the relevant laws, the Directors may borrow or raise funds for the purpose of the Company's business in such manner and on such terms as they think proper, including by the issue or sale of any bonds, debentures, debenture stocks or securities upon such terms as to the time of repayment, the rate of interest, the price of issue or sale, the payment of premium or bonus upon redemption or repayment or otherwise as they may think proper.*
- (2) *Subject to these Articles and the relevant laws, the Directors may secure or provide for the payment of any moneys to be borrowed or raised by the Company in such manner on and on such terms as they think proper, including by the creation of a mortgage or a charge upon all or any part of the undertaking or property of the Company both present and future or upon any capital remaining unpaid upon the shares of the Company whether called up or not or by any other security, and the Director may confer upon any mortgagees or persons in whom any debentures, debenture stock or security is vested such rights and powers as they think necessary or expedient; and they may vest any property of the Company in trustees for the purpose of securing any moneys so borrowed or so raised and confer upon the trustees or any receiver to be appointed by them or by any debenture holder, such rights and powers as the Director may think necessary or expedient in relation to the undertaking or property of the Company, or the management or the realisation thereof, or the making, receiving or enforcing of calls upon the Members in respect of unpaid capital and otherwise, and may make and issue debentures to trustees for the purpose of further security, and any such trustee may be remunerated on such terms as the Directors shall think fit.*

Article 111- Interested Directors

- (1) *A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract or an arrangement with the Company shall declare the nature of his interest in accordance with the provisions of the Act. Save as otherwise provided in this Article 111(1) and Article 111(2), a Director shall not vote in respect of any contract or arrangement in which he is interested (and if he shall do so, his vote shall not be counted) nor shall he be counted as forming part of the quorum present at the meeting convened for the purpose of any resolution regarding the same, but this Article shall not apply to:*
- (a) *any arrangement for giving to him any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company; or*
- (b) *any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.*

15. ADDITIONAL INFORMATION (CONT'D)**iv. Share capital and variation of class rights**

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

Article 44 – Power of Increase

The Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.

Article 47 – Alteration of Capital

The Company may by ordinary resolution:

- (1) consolidate and divide all of its share capital into shares of larger amounts than its existing shares;*
- (2) (a) cancel any shares which at the date of the passing of the resolution have not been taken, or agreed to be taken, by any person or which have been forfeited, and diminish the amount of its capital by the amount of shares so cancelled; or*
(b) cancel any shares that have been purchased by the Company and extinguish all rights attaching to the shares including suspended right in accordance with Section 67A of the Act and the Listing Requirements; or
- (3) sub-divide its shares, or any of them, into shares of a smaller amount than is fixed by the Articles of Association (subject, nevertheless, to the provisions of the Act) provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.*

Article 48 – Power to Reduce Capital

- (1) The Company may, by special resolution, and subject to such approval, confirmation, sanction or consent as may be required by law having been obtained, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner as it deems fit.*

15. ADDITIONAL INFORMATION (CONT'D)

- (2) *Without limiting the generality of Article 48(1), the Company may reduce its issued share capital by the cancellation of shares purchased by the Company and the amount by which the Company's issued capital is so reduced shall be transferred to the capital redemption reserve of the Company in accordance with Section 67A of the Act and the Listing Requirements.*

Article 49 – Modification of Class Rights

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of the class), whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of these Articles relating to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two (2) persons (whether present in person or represented by proxy) holding one-third (1/3) of the issued shares of the class, and any holder of any shares of the class present in person or by proxy may demand a poll. To every such special resolution, the provisions of Section 152 of the Act shall, with such adaptations as are necessary, apply. However, in the event of the necessary majority not having been obtained in the manner aforesaid, consent in writing may be secured from such holders holding at least three-fourths (3/4) of the issued shares of the class and such consent shall, if obtained within two (2) months from the date of the separate meeting, have the force and validity of a special resolution duly carried by a vote in person or by proxy.

Article 50 - Ranking of New Shares

The rights conferred on the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith but in no respect in priority thereto.

Article 4 – Preference Shares

- (1) *The Company shall have power to issue preference shares carrying a right to redemption out of profits or which are liable to be redeemed at the option of the Company and to issue preference capital ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such preference shares either at par or at a premium and on such terms and in such manner as they may think fit.*
- (2) *Preference shareholders of the Company shall have the same rights as ordinary shareholders of the Company in relation to receiving notices, reports and audited financial statements, and attending general meetings of the Company.*
- (3) *Preference shareholders of the Company shall also have the right to vote in each of the following circumstances:*
- (a) *when the dividend or part of the dividend on the preference shares held is in arrears for more than six (6) months;*

15. ADDITIONAL INFORMATION (CONT'D)

- (b) *on a proposal to reduce the Company's share capital;*
 - (c) *on a proposal for the disposal of the whole of the Company's property, business and undertaking;*
 - (d) *on a proposal that affects the rights attached to the preference shares held;*
 - (e) *on a proposal to wind up the Company; and*
 - (f) *during the winding up of the Company.*
- (4) *The repayment of preference capital other than on redeemable preference shares issued by the Company or any other alteration of preference shareholders rights may only be made pursuant to a special resolution of the affected preference shareholders of the Company PROVIDED ALWAYS that where the necessary majority for such a resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths (3/4) of the preference capital concerned within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.*

Article 7 – Share issue for purposes of raising money for the construction works

Where any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provisions for any plant which cannot be made profitable for a long period, the Company may, subject to the provisions of Section 69 of the Act, pay interest on so much of such share capital as is for the time being paid up and charge the same to capital as part of the cost of the construction or provision.

15.4 Promoters, substantial shareholders and Directors

- i. The names, description and addresses of our Directors are set out in Section 1 of this Prospectus.
- ii. Save as disclosed in Sections 8.2.4 and 8.6 of this Prospectus, no amount or benefits have been paid or intended to be paid or given to our Promoters, substantial shareholders and Directors within two (2) years preceding the date of this Prospectus.
- iii. Save as disclosed in Sections 10 and 15.6 of this Prospectus, none of our Directors or substantial shareholders have any interest in any contracts or arrangements subsisting which is significant in relation to the business of our Group taken as a whole as at the date of this Prospectus.
- iv. Save for our Promoters and substantial shareholders as disclosed in Section 8.1 of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company.
- v. Save as disclosed in this Prospectus, none of our Directors are aware of any material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect our profits.

15. ADDITIONAL INFORMATION (CONT'D)

15.5 Material litigation and arbitration

As at the date of this Prospectus, our Group is not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and our Directors do not know of any proceeding pending or threatened or of any fact likely to give rise to any proceeding which might materially or adversely affect our position or business, except for the following:-

**Johor Bahru High Court (Writ No: 22C-1-06/2013)
Court of Appeal (Suit No: J-02(C)(W)-258-02/2016)**

**Advancecon Holdings Sdn Bhd (“AHSB”) (“Plaintiff”)
Jasin Construction Development (M) Sdn. Bhd (“First Defendant”)
Advancecon Sdn Bhd (“Second Defendant”)**

On 23 June 2013, the Plaintiff brought an action in the High Court of Johor Bahru against the First Defendant and the Second Defendant (collectively referred to as the “Defendants”) for failure on the part of the Defendants to pay the Plaintiff for an outstanding amount of RM2,535,303.86 for work and services rendered by the Plaintiff together with interest at the rate of 4% per annum from the date of issuance of the Certificates of Practical Completion up to the date of full settlement.

The First Defendant had been appointed as the main contractor with Arapesona Development Sdn Bhd for the following projects:

- i. Proposed site clearing phase 1 earthworks and other ancillary works for the proposed 1,200 acres housing and 18 holes golf course development project at Bandar Nusajaya, District of Johor Bahru, Johor Darul Takzim; and
- ii. Propose upgrading of B7 Road.

The First Defendant awarded both projects to a joint venture between Jasin Construction Development (M) Sdn Bhd & Advancecon Sdn Bhd (“JA”). Pursuant to a letters of award dated 12 July 2006 and 17 January 2007, JA appointed the Plaintiff as sub-contractors for both projects. The Plaintiff had rendered services as sub-contractors to the JA and the Defendants failed to pay the Plaintiff for progress claims 10 to 13 for the phase 1 project and for progress claims 1 and 2 for the B7 road project and failed to release the retention sums after the issuance of the Certificates of Practical Completion and after the expiry of the defect liability period.

This matter was fixed for case management on 27 April 2015. The full trial was held over a total of 10 days from 11 May 2015 to 13 May 2015, 13 July 2015 to 14 July 2015, 19 August 2015 to 20 August 2015 and 2 September 2015 to 14 September 2015. Subsequently, the full trial had been postponed to 13 and 14 July 2015.

On 29 December 2015, the High Court awarded judgment in favour of the Plaintiff. The First Defendant subsequently filed an appeal to the Court of Appeal against the High Court's decision. The Defendants failed to pay the Plaintiff the judgement sum and as a result the Plaintiff sought to recover the judgement debt by issuing a statutory notice of demand under the Companies Act for the total amount of RM3,418,561.31 for principal amount together with interest accrued.

15. ADDITIONAL INFORMATION (CONT'D)

On 31 January 2016, the First Defendant filed an application for a stay of execution of the judgment pending the outcome of the appeal to the Court of Appeal. On 3 February 2016, the High Court ordered a stay of execution of the judgment pending the outcome of the First Defendant's appeal subject to the following conditions:

- i. First Defendant to pay the amount of RM2,418,561.31 to the Plaintiff; and
- ii. The remaining amount of RM1,000,000.00 is to be placed in the stakeholding account of the solicitors until the outcome of the appeal.

As at the LPD, both conditions have been satisfied by the First Defendant.

The hearing of the appeal in the Court of Appeal was on 30 August 2016 and the Court of Appeal dismissed the appeal against the First Defendant with costs. As for condition (ii), the amount will be released to the Plaintiff once the sealed order of Court of Appeal dismissing the appeal has been extracted and served on the First Defendant's solicitors. On 10 October 2016, the remaining amount of RM1,000,000.00 has been released to the Plaintiff.

In view of the above, this matter will not give rise to any material consequential impact (financial and non-financial) which might adversely affect our position or business.

15.6 Material contracts

Save as disclosed below, neither our Company nor our Subsidiaries has entered into any materials contracts (not being contracts entered into in the ordinary course of business) within the two (2) years preceding the LPD:-

- i. On 11 August 2015, Advancecon Infra and Advancecon Properties entered into a Deed of Settlement with Tropicana Golf & Country Resort Berhad ("TGCB") and Tropicana Indah Sdn Bhd ("TISB") ("Deed of Settlement").

Sapphire Index Sdn Bhd ("Sapphire Index") a related company of TISB and TGCB, awarded Advancecon Infra a contract amounting to RM137 million to carry out earthworks for the project known as "Cadangan Kerja Tanah Bagi Tujuan Serah Balik dan Bermilik Semula Tanah Di Bawah Seksyen 204b Kanun Tanah Negara di atas Lot PT 33010, PT 33019-PT 33028, Mukim Tanjung Dua Belas, Daerah Kuala Langat, Selangor Darul Ehsan" ("Contract") where Sapphire Index will therein pay Advancecon Infra progressively for the carrying out of earthworks.

TGCB and TISB have completed a housing development known as Tropicana Grande and a resort development known as Tropicana Indah respectively. Advancecon Infra is desirous of purchasing one (1) unit of condominium in Tropicana Grande from TGCB and two (2) units of vacant bungalow lots in Tropicana Indah from TISB ("Properties") for the total purchase consideration of RM14,909,665.00 ("Total Purchase Consideration"). Advancecon Infra nominated Advancecon Properties to enter into the respective sale and purchase agreements in relation to the purchase of the Properties. Further, Dato' Phum and Lim Swee Chai have rendered a joint and several guarantee dated 11 August 2015 to TGCB and TISB to observe and comply with the terms of the Deed of Settlement pay the Total Purchase Consideration in full.

15. ADDITIONAL INFORMATION (CONT'D)

The Total Purchase Consideration is payable by way of 15 progressive payments in accordance with the terms of the Deed of Settlement as simultaneous exchange for each progressive payment of the proceeds, progress payments and other proceeds of moneys which may at any time be received by or payable by Advancecon Infra under or in connection with the Contract.

On 31 December 2015, a letter of deferment ("Letter of Deferment") was issued by Tropicana for the deferment of payment from the 8th to 15th instalments following the months of instalments as stated in the Deferment Letter. As at the date hereof, the Properties have duly been registered in favour of Advancecon Properties.

- ii. On 29 June 2015, Advancecon Infra entered into a Contra Settlement Agreement with NCT Building & Civil Engineering Sdn Bhd ("NCTBCE") and Galeri Tropika Sdn Bhd ("Galeri") wherein Advancecon Infra has provided goods and services to NCTBCE in respect of "contract works for the construction and completion of main building works and other associated works for major infra" ("Contract") wherein Advancecon Infra has agreed to accept the sum of RM1,086,336.00 only as part settlement of all claims against NCTBCE ("Settlement Amount"). The Settlement Amount shall be paid by NCTBCE to Advancecon Infra by way of a set-off against a property known as Unit No. E5-3-01 within Storey No. 3rd Floor, of Building No Block 5, ION Deleman ("Property") owned by Galeri to Advancecon Infra and the balance Settlement Sum (if any) shall be payable and/or to be payable upon Certification of Final Accounts and agreement by Advancecon Infra and NCTBCE. As at the date hereof, the Property is duly registered in favour of Galeri Tropika Sdn Bhd and Advancecon Properties being the beneficial owner.
- iii. The Underwriting Agreement entered into between Advancecon and the Underwriter for the underwriting of up to 35,000,000 IPO Shares at the IPO Price subject to the terms and conditions contained therein. Please refer to Section 3.14 of this Prospectus for further details on the Underwriting Agreement; and
- iv. The Placement Agreement entered into between Advancecon and the Placement Agent for the placement of 88,000,000 IPO Shares to the institutions and identified investors at a placement fee of up to 1.5% of the total value of Placement Shares successfully placed out to the institutions and identified investors subject to the terms and conditions contained therein. Please refer to Section 3.13.3 of this Prospectus for further details of the Placement Agreement.

15.7 Repatriation of capital and remittance of profit

There are no governmental laws, decrees, regulations or other requirements in Malaysia which may affect the repatriation of capital and the remittance of profit by or to our Group.

15. ADDITIONAL INFORMATION (CONT'D)**15.8 Public take-overs**

None of the following has occurred since our incorporation on 9 April 1997 and up to the LPD:-

- i. public take-over offers by third parties in respect of our Shares; and
- ii. public take-over offers by us in respect of other companies' shares.

15.9 Consents

- i. Our Principal Adviser, Underwriter and Placement Agent, Financial Adviser, Due Diligence Solicitors, Principal Bankers, Share Registrar, Issuing House and Company Secretaries have, before the issuance of this Prospectus, given and have not subsequently withdrawn their written consents to the inclusion of their names in the form and context in which they appear in this Prospectus;
- ii. Our Auditors and Reporting Accountants have, before the issuance of this Prospectus, given and have not subsequently withdrawn their written consents to the inclusion of their name, the Accountants' Report and letters relating to the Pro forma Consolidated Financial Information in the form and context in which they are contained in this Prospectus; and
- iii. Our Independent Market Researcher has, before the issuance of this Prospectus, given and has not subsequently withdrawn its written consents to the inclusion of its name, the Independent Market Research Report and extracts of the said report in the form and context in which they are contained in this Prospectus.

15.10 Documents available for inspection

Copies of the following documents may be inspected at our registered office at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur during normal business hours for a period of 12 months from the date of this Prospectus:-

- i. Our Articles of Association;
- ii. The Independent Market Researcher Report prepared by Protégé Associates and its executive summary letter thereof as included in Section 7 of this Prospectus;
- iii. The Accountants' Report as included in Section 12 of this Prospectus;
- iv. The Reporting Accountants' letter on the pro forma consolidated financial information of Advancecon Group as included in Section 13 of this Prospectus;
- v. The Directors' Report as included in Section 14 of this Prospectus;
- vi. the writ, cause papers of our current material litigation and arbitration as disclosed in Section 15.5 of this Prospectus;
- vii. The material contracts referred to in Section 15.6 of this Prospectus;
- viii. The letters of consent referred to in Section 15.9 of this Prospectus;

15. ADDITIONAL INFORMATION (CONT'D)

- ix. The audited consolidated financial statements of our Group for the past three (3) financial years up to the FYE 31 December 2016;
- x. The individual audited financial statement of Advancecon and its Subsidiaries for the past three (3) financial years up to the FYE 31 December 2016;
- xi. The agreed-upon procedures on the cash and cash equivalents of Advancecon as at 31 March 2017 prepared by Crowe Horwath as disclosed in Section 11.8 of this Prospectus; and
- xii. The agreed-upon procedures on the movement of cash in hand, cash at bank and bank overdrafts balances between 1 January 2017 and 31 March 2017, including the checking of whether the available cash (net of bank overdrafts) before the payment of the Additional Interim Dividends is in excess of the payment of the Additional Interim Dividends prepared by Crowe Horwath as disclosed in Section 11.8 of this Prospectus.

15.11 Responsibility statements

- i. This Prospectus has been seen and approved by our Directors, Promoters and Offerors and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after having made all reasonable enquiries that, to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.
- ii. RHBIB, being our Principal Adviser, Underwriter and Placement Agent, acknowledge that, based on all available information and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

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16. PROCEDURE FOR APPLICATION AND ACCEPTANCE

16.1 Opening and closing of Applications

Applications will be accepted from 10.00 a.m. on 19 June 2017 and will close at 5.00 p.m. on 28 June 2017 or such further period or periods as our Directors, Promoters, Offerors and our Underwriter in their absolute discretion may mutually decide upon consultation with the SC. **Late applications will not be accepted.**

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

Copies of the Application Forms together with this Prospectus may be obtained, subject to availability, from Issuing House, RHBIB and ADAs which are registered members of Bursa Securities.

16.2 Methods of Application

Applications for the IPO Shares may be made using any of the following:-

- i. Application Form; or
- ii. Electronic Share Application; or
- iii. Internet Share Application

A summary of the method of applications are set out below:-

Class of applicants	Application method
i. Malaysian Public	
<ul style="list-style-type: none"> • Individuals 	White Application Forms or Electronic Share Application or Internet Share Application
<ul style="list-style-type: none"> • Corporations or institutions 	White Application Forms Only
ii. Our eligible Directors and employees who have contributed to the success of our Group	Pink Application Forms only
iii. Investors identified by way of private placements	Contact directly with the Placement Agent

You can submit only one (1) application for the IPO Shares. For example, if you submit an application using an Application Form, you may not submit an application by way of Electronic Share Application or Internet Share Application and vice versa. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or by way of Internet Share Application.

16.3 Procedures for Application

Applications must be made in relation to and subject to the terms of this Prospectus and our Articles of Association or the Constitution of Advancecon. You agree to be bound by our Articles of Association or the Constitution of Advancecon.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

FULL INSTRUCTIONS FOR THE APPLICATION OF THE IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

16.3.1 Application by the Malaysian Public

Applications for 30,000,000 Issue Shares made available for application by the Malaysian Public must be made on the **White Application Forms** provided or by way of Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for Shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.63 per Issue Share.

16.3.2 Application by our eligible Directors and employees who have contributed to the success of our Group

Applications for 5,000,000 Issue Shares made available for application by our eligible Directors and employees who have contributed to the success of our Group must be made on the **Pink Application Form** provided only and **NOT** by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.63 per Issue Share.

Our eligible Directors and employees who have contributed to the success of our Group are not precluded from making additional applications using the **White Application Forms** under the Malaysian Public category. Our eligible Directors and employees who have contributed to the success of our Group who have been successfully allocated Issue Shares may also, at the discretion of our Directors, be allocated Issue Shares under the Public Issue to the Malaysian Public.

16.3.3 Application by identified investors by way of private placement

Applications for 55,000,000 Issue Shares and 33,000,000 Offer Shares made available for application by the identified investors will be contacted directly by the Placement Agent and are to follow the instructions as communicated by the Placement Agent. The amount payable in full on application is RM0.63 per Issue Share or Offer Share.

Investors under the private placement are not precluded from making additional applications using the **White Application Forms** under the Malaysian Public category. If you have been successfully allocated Issue Shares or Offer Shares under the placement, you may also, at the discretion of our Directors be allocated Issue Shares under the Public Issue to the Malaysian Public.

You **must have a CDS Account** before you can submit your application by way of Application Forms or by way of Electronic Share Application or by way of Internet Share Application.

Directors and employees of Issuing House and their immediate families are strictly prohibited from applying for the IPO Shares in this exercise.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.4 Applications using Application Forms**16.4.1 Types of Application Forms**

The following relevant Application Forms issued with the notes and instructions enclosed with this Prospectus are deemed to form an integral part hereof:-

- i. **White** Application Forms for application by Malaysian Public; and
- ii. **Pink** Application Forms for application by the eligible Directors and employees who have contributed to the success of our Group.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability from the following parties:-

- i. RHBIB;
- ii. Participating organisations of Bursa Securities;
- iii. Members of the Association of Banks in Malaysia;
- iv. Members of the Malaysian Investment Banking Association; and
- v. Issuing House.

The submission of an Application Form does not necessarily mean that your application will be successful.

You may submit only one (1) Application Form and your application must be for 100 IPO Shares or multiples thereof. **Multiple applications will not be accepted.** We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to 10 years under Section 182 of the CMSA.

Your application for the IPO Shares must be made on the respective Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and on this Prospectus. Our Directors may at their absolute discretion not accept applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

If you are an individual other than a member of the armed forces or police, your name and national registration identity card ("NRIC") number must be exactly the same as stated in:-

- i. a) your NRIC; or
- b) any valid temporary identity document as issued by the National Registration Department from time to time; or

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- c) Your "Resit Pengenalan Sementara (KPPK 09)" issued pursuant to Peraturan 5(5), Peraturan-Peraturan Pendaftaran Negara 1990; and

- ii. the record of Bursa Depository.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly the same as that stated in your authority card and in the record of Bursa Depository. Your address must be the address of your respective camp, base or station.

If you are a corporation or institution, the name and the certificate of incorporation number must be exactly the same as that stated in the corporation's or institution's certificate of incorporation and in the record of Bursa Depository. The address must be the registered address.

We together with Issuing House will not issue any acknowledgement of the receipt of your Application Form or Application payment.

16.4.2 Terms and conditions for Application using Application Forms

Your application by way of Application Form shall be made on, and subject to, the following terms and conditions:-

- i. If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS Account and a Malaysian address.
- ii. If you are a corporation or institution incorporated in Malaysia, you must have a CDS Account and be subject to the following:-
 - a) If you have a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and
 - b) There is a majority of Malaysian citizens on the board of Directors or trustee.
- iii. If you are a superannuation, co-operative, foundation, provident or pension fund, you must be established or operating in Malaysia and have a CDS Account.
- iv. Applications will not be accepted from trustees, any person under 18 years of age, sole proprietorships, partnership or other incorporated bodies or associations, other than corporations or institutions referred to in Section 16.4.2 (ii) and (iii) above or the trustees thereof.
- v. Application for the IPO Shares must be made on the respective Application Forms issued together with this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein shall constitute an integral part of this Prospectus. Our Directors may at their absolute discretion not accept applications which do not **strictly** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- vi. Your completed Application Form must be accompanied by remittance in RM for the full amount payable by any of the following:-
- a) BANKER'S DRAFT OR CASHIER'S ORDER purchased within Malaysia only and drawn on a bank in Kuala Lumpur; or
 - b) MONEY ORDER or POSTAL ORDER (for Applicants from Sabah and Sarawak only); or
 - c) GUARANTEED GIRO ORDER ("GGO") from Bank Simpanan Nasional Malaysia Berhad.

and must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO.582**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

We will not accept applications accompanied by any mode of payments other than those stated above or with excess or insufficient remittances or inappropriate banker's drafts, cashier's orders, money orders, postal orders or GGO. Details of the remittances must be completed in the appropriate boxes provided in the Application Forms.

- vii. You must state your CDS Account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to Issuing House and/ or our Company. If you do not presently have a CDS Account, you may open one by contacting any of the ADAs listed in Section 16.11 of this Prospectus.
- viii. Your name and address must be written on the reverse side of the banker's draft, cashier's order, money orders, postal orders or GGO.
- ix. Our Directors reserve the right to require you, if your Application is successful, to appear in person at the registered office of Issuing House within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- x. Issuing House, on the authority of our Directors reserves the right to reject your Application if it does not conform to these instructions or if it is illegible or if it is accompanied by remittances improperly drawn.
- xi. Issuing House, on the authority of our Directors reserves the right not to accept your Application or to accept it in whole or in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

xii. You shall ensure that your personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

xiii. Your completed Application Form together with the appropriate remittance and legible photocopy of the relevant documents, must be despatched by **ORDINARY POST** in the official envelopes provided, to the following address:-

Malaysian Issuing House Sdn Bhd (Company No. 258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

OR

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 28 June 2017, or such other later date or dates as our Directors, Promoters, Offerors and our Underwriter in their absolute discretion may decide upon consultation with the SC.

xiv. **PLEASE DIRECT ALL YOUR ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO ISSUING HOUSE.**

16.5 Applications Using Electronic Share Application

16.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

- i. You must have an account with a Participating Financial Institution (as detailed in Section 16.5.2 below) and an ATM card issued by that Participating Financial Institution to access the account.
- ii. You must have a CDS Account.
- iii. You are to apply for the IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set forth in Section 16.5.3 below.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:-

- Your Personal Identification Number ("PIN");
- MIH Share Issue Account Number 582;
- Your CDS Account number;
- Number of IPO Shares applied for and/ or the RM amount to be debited from the account; and
- Your confirmation of several mandatory statements.

16.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:-

- Affin Bank Berhad;
- AmBank (M) Berhad;
- CIMB Bank Berhad;
- HSBC Bank Malaysia Berhad;
- Malayan Banking Berhad;
- Public Bank Berhad;
- RHB Bank Berhad; or
- Standard Chartered Bank Malaysia Berhad (at selected branches only).

16.5.3 Terms and conditions for Electronic Share Applications

The procedures for Electronic Share Applications at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions ("**Steps**"). For illustration purposes, the procedures for Electronic Share Applications at ATMs are set out in Section 16.5.1 above. The Steps set out the actions that you must take at the ATM to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application. Any reference to "applicant" in the terms and conditions for Electronic Share Applications and the Steps shall refer to you, if you apply for the IPO Shares through an ATM of any of the Participating Financial Institutions.

You must be an individual with a CDS Account to make an Electronic Share Application. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for the IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon the completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record that you have completed a transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by us or Issuing House. The Transaction Record is for your retention and should not be submitted with any Application Form.

Upon the closing of the offer for the application for our IPO Shares on 28 June 2017 at 5.00 p.m. ("**Closing Date**"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the IPO Shares to Issuing House as soon as practicable but not later than 12.00 p.m. of the second (2nd) business day after the Closing Date.

You will be allowed to make an Electronic Share Application for the IPO Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) application. If you have a bank account with a Participating Financial Institution and have been issued an ATM card, you will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to you making only one (1) Application.

You must ensure that you use your own CDS Account number when making an Electronic Share Application. If you operate a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS Account number when using an ATM card issued to you in your own name. Your Application will be rejected if you fail to comply with the foregoing conditions.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions as set out below:-

- i. Your Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our Articles of Association or the Constitution of Advancecon.
- ii. You are required to confirm the following statement (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:-
 - You have attained 18 years of age as at the closing date of the share application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read the relevant Prospectus and understood and agreed with the terms and conditions of this application;
 - This is the only application that you are submitting; and

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to Issuing House and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991, to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to Issuing House or any other relevant regulatory bodies.

- iii. You confirm that you are not applying for the IPO Shares as a nominee of any other persons and that any Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one (1) Electronic Share Application and shall not make any other Application for the IPO Shares, whether at the ATMs of any Participating Financial Institutions, on the prescribed Application Forms or via Internet Share Application.
- iv. You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. We will reject any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is made.
- v. You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key or buttons on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Articles of Association or the Constitution of Advancecon.
- vi. Issuing House, on the authority of our Directors reserves the right to reject or accept any Electronic Share Application in whole or in part only on a non-discriminatory basis without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- vii. You request and authorise us:-
- a) to credit the IPO Shares allotted or allocated to you into your CDS Account; and
 - b) to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- viii. You, acknowledging that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of Issuing House or the Participating Financial Institutions or Bursa Depository, irrevocably agree that if:-
- a) we or Issuing House do/ does not receive your Electronic Share Application; or
 - b) data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or Issuing House,
- you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against us, Issuing House, the Participating Financial Institutions or Bursa Depository for the IPO Shares applied for or for any compensation, loss or damage.
- ix. All your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct and we, Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- x. You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.
- xi. By making and completing an Electronic Share Application, you agree that:-
- a) in consideration of our Company agreeing to allow and accept the making of any application for the IPO Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - b) we, the Participating Financial Institutions, Bursa Depository and Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application transmitted to us due to a breakdown, failure of transmission or communication facilities, or to any cause beyond our/ their control;

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- c) notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the IPO Shares;
- d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/ or other documents required for the issue or transfer of the IPO Shares allotted or allocated to you; and
- e) you agree that in the event of legal disputes arising from the use of the Electronic Share Application, our mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.
- xii. Our Directors reserve the right to require you, if your Application is successful, to appear in person at the registered office of Issuing House within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of your application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- xiii. Issuing House on the authority of our Directors reserves the right to reject your Applications, if it does not conform to these instructions.
- xiv. The following processing fee per Electronic Share Application will be charged by the respective Participating Financial Institutions:-
- Affin Bank Berhad – No fee will be charged for application by their account holders;
 - AmBank (M) Berhad – RM1.00;
 - CIMB Bank Berhad – RM2.50;
 - HSBC Bank Malaysia Berhad – RM2.50;
 - Malayan Banking Berhad – RM1.00;
 - Public Bank Berhad – RM2.00;
 - RHB Bank Berhad – RM2.50; or
 - Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.6 Applications using Internet Share Application**16.6.1 Steps for Internet Share Application**

The exact steps for Internet Share Application for the IPO Shares are set out on the Internet financial services websites of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps of an application of the IPO Shares using Internet Share Application. The steps set out the actions that you must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- i. Connect to the Internet financial services website of the Internet Participating Financial Institution with which you have an account. You are advised not to apply for the IPO Shares through any website other than the Internet financial services website of the Internet Participating Financial Institution.
- ii. Login to the Internet financial services facility by entering your user identification ("User ID") and PIN/ password.
- iii. Navigate to the section of the website on applications in respect of initial public offerings.
- iv. Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- v. Select the designated hyperlink on the screen to accept the above-mentioned terms and conditions, having read and understood such terms and conditions.
- vi. At the next screen, complete the online application form.
- vii. Check that the information contained in the online application form such as the share counter, NRIC number, CDS Account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- viii. By confirming such information, you will undertake that the mandatory statements as set out in Section 16.6.2(iii) are true and correct.
- ix. Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of your application for the IPO.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- x. As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the application of the IPO is being made.
- xi. Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- xii. You are advised to print out the Confirmation Screen for reference and retention.

16.6.2 Terms and conditions for Internet Share Application

Your application for the IPO Shares may be made through the Internet financial services website of the Internet Participating Financial Institutions.

You are advised not to apply for the IPO Shares through any website other than the Internet financial services website of the Internet Participating Financial Institutions.

Internet Share Applications may be made through the Internet financial services websites of the following Internet Participating Financial Institutions:-

- Affin Bank Berhad at www.affinOnline.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- CIMB Bank Berhad at www.cimbclicks.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- CIMB Investment Bank Berhad at www.eipocimb.com; or
- Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- Public Bank Berhad at www.pbebank.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or
- RHB Bank Berhad at www.rhbgroup.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com).

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS AND THE PROCEDURES SET OUT IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS BEFORE MAKING AN INTERNET SHARE APPLICATION.

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR THE INTERNET SHARE APPLICATIONS IN RESPECT OF THE IPO SHARES ARE SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions set out below:-

- i. In order to make an Internet Share Application, you must:-
 - a) be an individual with a CDS Account and in the case of a joint account an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the other joint account holder's name;
 - b) have an existing account with access to Internet financial services facilities with an Internet Participating Financial Institution. You must have ready your User ID and PIN/ password for the relevant Internet financial services facilities; and
 - c) be a Malaysian citizen and have a Malaysian address.

You are advised to note that a User ID and PIN/ password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the IPO Shares at Internet financial service websites of other Internet Participating Financial Institutions.

- ii. An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Articles of Association or the Constitution of Advancecon.
- iii. You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the Internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given are true and correct:-
 - a) You have attained 18 years of age as at the date of the application for the IPO Shares;
 - b) You are a Malaysian citizen residing in Malaysia;
 - c) You have, prior to making the Internet Share Application, received and/ or have had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;
 - d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- e) The Internet Share Application is the only application that you are submitting for the IPO Shares;
 - f) You authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - g) You give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 134 of the Financial Services Act, 2013 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/ or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to Issuing House and the Authorised Financial Institution, the SC and any other relevant authority;
 - h) You are not applying for the IPO Shares as a nominee of any other person and the application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
 - i) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the IPO, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the IPO. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- iv. Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the Internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which can be printed out by you for your records.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 16.6.2 (iii) above.

- v. You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the Internet financial services website through which the Internet Share Application is made shall be rejected.
- vi. You irrevocably agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of the Internet Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:-

- a) Your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
 - b) Your agreement to be bound by our Articles of Association or the Constitution of Advancecon.
- vii. You are fully aware that multiple or suspected multiple Internet Share Applications for the IPO Shares will be rejected. Issuing House on the authority of our Directors reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.
 - viii. Internet Share Applications will be closed at 5.00 p.m. on 28 June 2017 or such other date(s) as our Directors, our Promoters, our Offerors and our Underwriter may in their absolute discretion mutually decide upon consultation with the SC. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the Internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

ix. You irrevocably agree and acknowledge that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of Issuing House or the Internet Participating Financial Institutions and the Authorised Financial Institutions. If in any such event, we, Issuing House and/ or the Internet Participating Financial Institutions do not receive your Internet Share Application and/ or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an Internet Share Application and you shall not claim whatsoever against us, Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.

x. All your particulars in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Share Application shall be deemed to be true and correct, and we, Issuing House, the relevant Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application is liable to be rejected. The notification letter on successful allotment or allocation will be sent to your registered or correspondence address last maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

xi. By making and completing an Internet Share Application, you are deemed to have agreed that:-

- a) In consideration of our Company agreeing to allow and accept the making of any application for the IPO Shares via the Internet Share Application facility established by the Internet Participating Financial Institution acting as agents for us, your Internet Share Application is irrevocable;
- b) You have irrevocably requested and authorised us to register the IPO Shares allotted or allocated to you for deposit into your CDS Account;
- c) Neither us nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to Issuing House or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in Section 16.6.2(ix) herein or to any cause beyond their control;

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- d) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by Issuing House, us and/ or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/ or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;
 - e) The acceptance of your offer to subscribe for the IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;
 - f) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;
 - g) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, our Underwriter and Principal Adviser and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which you may have relied on in making the Internet Share Application;
 - h) Our acceptance of your Internet Share Application and the contract resulting therefrom under the IPO shall be governed by and construed in accordance with the laws of Malaysia, and you irrevocably submit to the jurisdiction of the courts of Malaysia.
- xii. The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:-
- a) Affin Bank Berhad (www.affinOnline.com) – No fee will be charged for application by their account holders;
 - b) CIMB Bank Berhad (www.cimbclicks.com.my) – RM2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;
 - c) CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;
 - d) Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;
 - e) Public Bank Berhad (www.pbebank.com) – RM2.00; and
 - f) RHB Bank Berhad (www.rhbgroup.com) – RM2.50.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.7 Over/ Under-subscription

In the event of an over-subscription, acceptance of applications shall be subject to a ballot to be conducted in the manner approved by our Directors and on a fair and equitable basis. We will give due consideration to the desirability of distributing our Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market for our Shares.

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each, upon admission to the Official List. We expect to achieve this at the point of Listing. We may not be allowed to proceed with our Listing if the above requirement is not met pursuant to the IPO. In the event thereof, your monies paid in respect of your application will be returned without interest. Our Directors will determine how the applications will be selected.

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

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

In the event of under-subscription by institutional and identified investors and subject to a corresponding over-subscription by the Malaysian Public, the remaining portion will be clawed-back and be allocated to the Malaysian Public to increase the participation of retail investors.

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

In the event of under-subscription of the Offer Shares and a corresponding over-subscription by Malaysian Public or over-subscription by institutional and identified investors, the remaining portion will be clawed back and be allocated to the Malaysian Public to increase the participation of retail investors and/ or placed to institutional and identified investors.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.8 Applications and acceptances

Issuing House, on the authority of our Directors reserves the right not to accept your Application, if it does not strictly comply with the instructions or to accept your Application in part only without assigning any reason therefor.

The submission of an Application does not necessarily mean that the application will be successful.

Directors and employees of Issuing House and their immediate families are strictly prohibited from applying for the IPO Shares.

Your applications must be for at least 100 IPO Shares or multiples thereof.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

16.9 Unsuccessful/ partially successful and rejected Applications

If you are unsuccessful/ partially successful or rejected in your application, the full amount or the balance of your application monies, as the case may be, will be refunded without interest in the following manner:-

16.9.1 For applications by way of White Application Form

- i. The Application monies or the balance of it, as the case may be, will be refunded to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/ distribution if you have provided such bank account information to Bursa Depository or by ordinary post/ registered post (for partial successful applications) within 10 Market Days from the date of the final ballot if you have not provided such bank account information to Bursa Depository.
- ii. If your application was rejected because you did not provide a CDS Account number, your Application monies will be sent to the address stated in the NRIC or any valid temporary identity document issued by the National Registration Department or "Resit Pengenalan Sementara (KPPK 09)" from time to time at your own risk.
- iii. A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected or unsuccessful or only partly successful will be refunded without interest by the Issuing House as per Sections 16.9.1(i) or (ii) above, as the case may be.
- iv. Issuing House, on the authority of our Directors, reserves the right to bank in all Application monies from unsuccessful applicants. These monies will be refunded by crediting into your bank account for purposes of cash dividend/ distribution if you have provided such bank account information to Bursa Depository or by ordinary post/ registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per Section 16.9.1(ii) above, as the case may be, within 10 Market days from the date of the final ballot.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.9.2 For applications by way of Electronic Share Application

- i. If your Electronic Share Application is unsuccessful or successful in part only, Issuing House shall inform the relevant Participating Financial Institution of the unsuccessful or partially successful applications within two (2) Market Days after the balloting date. Where your Electronic Share Application is unsuccessful or successful in part only, the relevant Participating Financial Institution will credit the full amount of the application monies or the balance of it, as the case may be, in RM (without interest or any share of revenue or benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from Issuing House. You may check your account on the fifth (5th) Market Day from the balloting date.
- ii. We will, however, hold in reserve a number of applications to replace any successfully balloted Applications that are subsequently rejected. If your Application held in reserve is subsequently rejected, your application monies without interest will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by crediting into your account with the Participating Financial Institution within 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or only partly successful), the Participating Financial Institution will credit the application monies (or any part thereof) without interest within two (2) Market Days after the receipt of confirmation from the Issuing House.

16.9.3 For applications by way of Internet Share Application

- i. If your Internet Share Application is unsuccessful or successful in part only, Issuing House shall inform the relevant Internet Participating Financial Institution of the unsuccessful or partially successful Internet Share Application within two (2) Market Days after the balloting date. Where your Internet Share Application is unsuccessful or successful in part only, the relevant Internet Participating Financial Institution will credit the full amount of the application monies or the balance of it, as the case may be, in RM (without interest or any share revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution of the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from Issuing House. You may check your account on the fifth (5th) Market Day from the balloting date.
- ii. We will, however, hold in reserve a number of Applications to replace any successfully balloted Applications that are subsequently rejected. If your Application is held in reserve and is subsequently rejected, your application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by crediting into your account with the Participating Financial Institution within 10 Market Days from the date of the final ballot. For applications that are held in reserve and are subsequently unsuccessful (or partly successful), the Internet Participating Financial Institution will credit the application monies (or any part thereof but without interest or any share or revenue or other benefit arising therefrom) into your account within two (2) Market Days after the receipt of confirmation from Issuing House.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

- iii. Except where Issuing House is required to refund Application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult with the Internet Participating Financial Institutions through which your application was made in respect of the mode or procedure of enquiring on the status of the Internet Share Application in order to determine the status or exact number of IPO Shares allotted or allocated, if any, before trading of our Shares on the Main Market of Bursa Securities.

16.10 CDS Accounts

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as "Prescribed Securities". Therefore, the IPO Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and Rules.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act, 1991, all dealings in our Shares will be by book entries through CDS Accounts. We will not issue any share certificates to you.

16.10.1 Application by way of Applications Forms

Only if you have a CDS Account can you make an application by way of an Application Form. If you apply using an Application Form, you should state your CDS Account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to Issuing House or us, and any relevant regulatory bodies, as the case may be. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an application for the IPO Shares.

16.10.2 Application by way of Electronic Share Applications

Only if you have a CDS Account can you make an application by way of an Electronic Share Application. If you apply using an Electronic Share Application, you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so.

16.10.3 Application by way of Internet Share Applications

Only if you have a CDS Account can you make an application by way of an Internet Share Application. In certain cases, you can only make an Internet Share Application if you have a CDS Account opened with the Internet Participating Financial Institution. Subsequently, your CDS Account number would automatically appear in the electronic online application form.

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

If you fail to comply with these specific instructions or there is inaccuracy in the CDS Account number, arising from use of invalid, third party or nominee accounts, your application may be rejected. If you are successful in your application but fail to state your CDS Account number, Issuing House on the authority of our Directors reserves the right to reject your application. Issuing House on the authority of our Directors and Offerors also reserves the right to reject any incomplete and inaccurate Application. We may also reject your Application if your particulars provided in the Application Forms, or your records with the Participating Financial Institutions in the case of Electronic Share Application or Internet Participating Financial Institutions in the case of Internet Share Application, differ from those in Bursa Depository's records such as your identity card number, name and nationality.

16.11 Notice of allotment

If your Application is successful or partially successful, we will credit our Shares allotted to you to your CDS Account. We will despatch a notice of allotment to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. For Electronic Share Applications or Internet Share Applications, the notice of allotment will be despatched to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your application as we will not be issuing any share certificate to you.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulations of the Bursa Depository, failing which we shall send the notification letter on your allotment to your address last maintained with Bursa Depository.

You may also check the status of your application by calling your respective ADAs at the telephone number as stated in Section 16.12 of this Prospectus or Issuing House at 03-7841 8289, between five (5) to 10 Market Days (during office hours only) after the balloting date.

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16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)**16.12 List of ADAs**

The list of ADAs and their respective Broker Codes are as follows:-

Name	Address and telephone number	Broker Code
<u>KUALA LUMPUR</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	2nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur Tel No : 03-77106688	068-009
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Mezzanine & 3rd Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21438668	068-018
AFFIN HWANG INVESTMENT BANK BERHAD	38A & 40A Jalan Midah 1 Taman Midah 56000 Cheras Kuala Lumpur Tel No : 03-91308803	068-021
ALLIANCE INVESTMENT BANK BERHAD	17th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26043333	076-001
AMINVESTMENT BANK BERHAD	15th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20782788/ 03-20362633	086-001
BIMB SECURITIES SDN BHD	32nd Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26918887	024-001
CIMB INVESTMENT BANK BERHAD	Level 17, Menara CIMB Jalan Stesen Sentral 2 Kuala Lumpur Sentral 50470 Kuala Lumpur Tel No : 03-22618888	065-001
FA SECURITIES SDN BHD	A-10-17 & A-10-1 Level 10, Menara UOA Bangsar No. 5, Jalan Bangsar Utama 1 59000 Kuala Lumpur Tel No : 03-22881676	021-002
HONG LEONG INVESTMENT BANK BERHAD	Level 7, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-21681168/ 03-21681168	066-001

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
HONG LEONG INVESTMENT BANK BERHAD	Level 25 & 26, Menara LGB No. 1, Jalan Wan Kadir Taman Tun Dr Ismail 60000 Kuala Lumpur Tel No : 03-77236300	066-002
INTER-PACIFIC SECURITIES SDN BHD	West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-21171888	054-001
INTER-PACIFIC SECURITIES SDN BHD	Ground Floor, 7-0-8 Jalan 3/ 109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-79847796	054-003
INTER-PACIFIC SECURITIES SDN BHD	No. 33-1 (First Floor) Jalan Radin Bagus Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90562921	054-007
JUPITER SECURITIES SDN BHD	Level 8 & 9, Menara Olympia No. 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20341888	055-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD	11th-14th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21710228	053-001
KENANGA INVESTMENT BANK BERHAD	8th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21649080	073-001
KENANGA INVESTMENT BANK BERHAD	M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-42978806	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor West Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-20892888	073-021
KENANGA INVESTMENT BANK BERHAD	1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21781133	073-029
M & A SECURITIES SDN BHD	Level 1-3, No. 45 & 47 and 43-6 The Boulevard, Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel No : 03-22821820	057-002

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
M & A SECURITIES SDN BHD	22A-1 Jalan Kuchai Maju 1 Kuchai Entrepreneurs' Park Off Jalan Kuchai Lama 58200 Kuala Lumpur Tel No : 03-79839890	057-004
MALACCA SECURITIES SDN BHD	55-1, Jalan Metro Perdana Barat 1 Taman Usahawan Kepong 52100 Kuala Lumpur Tel No : 03-62418595	012-001
MALACCA SECURITIES SDN BHD	No.76-1, Jalan Wangsa Maju Delima 6 Pusat Bandar Wangsa Maju (KLSC) Setapak 53300 Kuala Lumpur Tel No: 03-41442565	012-001
MAYBANK INVESTMENT BANK BERHAD	Level 5, Tower C Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-22978888	098-001
MERCURY SECURITIES SDN BHD	L-7-2, No. 2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel No : 03-62037227	093-002
MIDF AMANAH INVESTMENT BANK BERHAD	Level 9, 10, 11 & 12, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-21738888	026-001
PM SECURITIES SDN BHD	Mezzanine, 1st Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-21463000	064-001
PUBLIC INVESTMENT BANK BERHAD	27th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-22683000	051-001
RHB INVESTMENT BANK BERHAD	Level 1, Tower Three RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-92873888	087-001
RHB INVESTMENT BANK BERHAD	No. 62, 62-1, 64 & 64-1, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-62575869	087-028
RHB INVESTMENT BANK BERHAD	No.5 & 7 Jalan Pandan Indah 4/ 33 Pandan Indah 55100 Kuala Lumpur Tel No : 03-42804798	087-054

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	Ground, 1st, 2nd & 3rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90587222	087-058
TA SECURITIES HOLDINGS BERHAD	Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-20721277	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	N-1-3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-62056000	078-004
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 19th Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-21471888	078-010
<u>SELANGOR DARUL EHSAN</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah, E9/ E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-55133288	068-002
AFFIN HWANG INVESTMENT BANK BERHAD	Suite B3A1, East Wing Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/ 1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56356688	068-010
AFFIN HWANG INVESTMENT BANK BERHAD	4th Floor Wisma Meru No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439999	068-019
AFFIN HWANG INVESTMENT BANK BERHAD	Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/ 3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77298016	068-020
AFFIN HWANG INVESTMENT BANK BERHAD	No. 79-1 & 79-2 Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-33221999	068-023

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
AMINVESTMENT BANK BERHAD	4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/ 60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77106613	086-001
CIMB INVESTMENT BANK BERHAD	Ground Floor & Level 1 Tropicana City Office Tower No. 3, Jalan SS 20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77173388	065-001
JF APEX SECURITIES BERHAD	6th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-87361118	079-001
JF APEX SECURITIES BERHAD	15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-76201118	079-002
JF APEX SECURITIES BERHAD	Block J-6-3A, Setia Walk PSN Wawasan Pusat Bandar Puchong 47160 Puchong Selangor Darul Ehsan Tel No : 03-58790163	079-004
JUPITER SECURITIES BERHAD	No. 42-46, 3rd Floor Jalan SS19/1D 47500 Subang-Jaya Selangor Darul Ehsan Tel No : 03-56324838	055-001
KENANGA INVESTMENT BANK BERHAD	55C (2nd Floor) Jalan USJ 10/1F 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80241773	073-006
KENANGA INVESTMENT BANK BERHAD	Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/ 3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77259095	073-016
KENANGA INVESTMENT BANK BERHAD	Level 1 East Wing Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56212118	073-001

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
KENANGA INVESTMENT BANK BERHAD	35 (Ground & 1st Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33488080	073-035
MALACCA SECURITIES SDN BHD	No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56361533	012-001
MALACCA SECURITIES SDN BHD	No. 58 & 60, 1st Floor Jalan SS2/67 47300 Subang Jaya Selangor Darul Ehsan Tel No : 03-78761533	012-001
MALACCA SECURITIES SDN BHD	No.39-2 Jalan Temenggung 21/9 Seksyen 9, Bandar Mahkota Cheras 43200 Cheras Selangor Darul Ehsan Tel No: 03-90115913	012-001
MAYBANK INVESTMENT BANK BERHAD	Suite 8.02, Level 8, Menara Trend Intan Millenium Square No. 68, Jalan Batai Laut 4, Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-30508888	098-001
MAYBANK INVESTMENT BANK BERHAD	Wisma Bentley Music Level 1, No. 3, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77188888	098-001
PM SECURITIES SDN BHD	No. 157, Jalan Kenari 23/ A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80700773	064-001
PM SECURITIES SDN BHD	No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33415300	064-001
RHB INVESTMENT BANK BERHAD	24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/ 63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78736366	087-011
RHB INVESTMENT BANK BERHAD	No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-87363378	087-045

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No : 03-60928916	087-047
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439180	087-048
RHB INVESTMENT BANK BERHAD	Ground Floor and First Floor No. 13 Jalan Kenari 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80706899	087-049
RHB INVESTMENT BANK BERHAD	Unit 1B & 2B Jalan USJ 10/1J Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80221888	087-059
SJ SECURITIES SDN BHD	Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Tel No : 03-51920202	096-001
SJ SECURITIES SDN BHD	101B, Jalan SS15/5A 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56317888	096-002
SJ SECURITIES SDN BHD	No. 47-2, Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-33221915	096-001
SJ SECURITIES SDN BHD	No. A-3-11 Block Alamanda 10 Boulevard Lebuhraya Sprint PJU 6A 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77323862	096-005
TA SECURITIES HOLDINGS BERHAD	No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/ 5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80251880	058-005

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
TA SECURITIES HOLDINGS BERHAD	2nd Floor, Wisma TA No. 1A, Jalan SS 20/1 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77295713	058-007
<u>MELAKA</u>		
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-2898800	065-001
KENANGA INVESTMENT BANK BERHAD	71 (A & B) & 73 (A & B) Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2881720	073-028
KENANGA INVESTMENT BANK BERHAD	22A & 22A – 1 and 26 & 26 – 1 Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06-3372550	073-034
MALACCA SECURITIES SDN BHD	No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No : 06-3371533	012-001
MERCURY SECURITIES SDN BHD	No. 81, 81A & 81B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2921898	093-003
PM SECURITIES SDN BHD	No. 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No : 06-2866008	064-006
RHB INVESTMENT BANK BERHAD	No. 19, 21 & 23 Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2833622	087-002
RHB INVESTMENT BANK BERHAD	579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-2825211	087-026
TA SECURITIES HOLDINGS BERHAD	59, 59A, 59B Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2862618	058-003

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
UOB KAY HIAN SECURITIES (M) SDN BHD	7-2, Jalan PPM8 Malim Business Park 75250 Melaka Tel No : 06-3352511	078-014
<u>PERAK DARUL RIDZUAN</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-8066688	068-003
AFFIN HWANG INVESTMENT BANK BERHAD	2nd & 3rd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559988	068-015
CIMB INVESTMENT BANK BERHAD	Ground, 1st, 2nd and 3rd Floor No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2088688	065-001
HONG LEONG INVESTMENT BANK BERHAD	51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	066-003
KENANGA INVESTMENT BANK BERHAD	No. 63, Ground, 1 st , 2nd & 4th Floor Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422828	073-022
KENANGA INVESTMENT BANK BERHAD	No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6222828	073-001
KENANGA INVESTMENT BANK BERHAD	Ground Floor No. 25 & 25A Jalan Jaya2, Medan Jaya 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6939828	073-031
M & A SECURITIES SDN BHD	M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
MAYBANK INVESTMENT BANK BERHAD	B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2453400	098-002

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236498	087-014
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921228	087-016
RHB INVESTMENT BANK BERHAD	21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	087-023
RHB INVESTMENT BANK BERHAD	Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088229	087-034
RHB INVESTMENT BANK BERHAD	72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4651261	087-044
RHB INVESTMENT BANK BERHAD	Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170888	087-052
TA SECURITIES HOLDINGS BERHAD	Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531313	058-001
UOB KAY HIAN SECURITIES (M) SDN BHD	29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6216010	078-009
UOB KAY HIAN SECURITIES (M) SDN BHD	153A Jalan Raja Musa Aziz 30303 Ipoh Perak Darul Ridzuan Tel No : 05-2411290	078-013
<u>PULAU PINANG</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 2, 3, 4, 5, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636996	068-001

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
AFFIN HWANG INVESTMENT BANK BERHAD	No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372882	068-006
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Bangunan Barkath 21, Lebuah Pantai 10300 Pulau Pinang Tel No : 04-2611688	076-015
AMINVESTMENT BANK BERHAD	3rd Floor, Menara Liang Court No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2261818	086-001
CIMB INVESTMENT BANK BERHAD	Level 2, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2385900	065-001
INTER-PACIFIC SECURITIES SDN BHD	Ground, Mezzanine & 8th Floor Sentral Tower No. 3, Penang Street 10200 Penang Tel No : 04-2690888	054-002
JF APEX SECURITIES SDN BHD	368-2-5 Jalan Burmah Belissa Row 10350 Pulau Tikus Pulau Pinang Tel No : 04-2289118	079-005
JUPITER SECURITIES SDN BHD	20-1, Persiaran Bayan Indah Bayan Bay, Sungai Nibong 11900 Bayan Lepas Pulau Pinang Tel No : 04-6412881	055-001
KENANGA INVESTMENT BANK BERHAD	7th, 8th & 16th Floor Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283355	073-023
M & A SECURITIES SDN BHD	332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04-2817611	057-005
M & A SECURITIES SDN BHD	216, 216A, 218 & 218A Pengkalan Weld Lebuah Macallum 10300 Pulau Pinang Tel No : 04-2617611	057-008

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
MALACCA SECURITIES SDN BHD	Prima Tanjung Suite 98-3-13A, 13B, 13C Jalan Fettes 11200 Tanjung Tokong Pulau Pinang Tel No : 04-8981525	012-004
MALACCA SECURITIES SDN BHD	48 Jalan Todak 2 13700 Seberang Jaya Pulau Pinang Tel No : 04-3905669	012-006
MALACCA SECURITIES SDN BHD	No. 17, 1st Floor Persiaran Bayan Indah Taman Bayan Indah 11900 Bayan Lepas Pulau Pinang Tel No : 04-6421533	012-007
MAYBANK INVESTMENT BANK BERHAD	Lot 1.02, 1st Floor Bangunan KWSP Jalan Sultan Ahmad Shah 10050 Georgetown Pulau Pinang Tel No : 04-2196888	098-006
MERCURY SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai Pulau Pinang Tel No : 04-3322123	093-001
MERCURY SECURITIES SDN BHD	2nd Floor, Standard Chartered Bank Chambers, 2 Lebu Pantai 10300 Pulau Pinang Tel No : 04-2639118	093-004
MERCURY SECURITIES SDN BHD	70-1-22 Jalan Mahsuri 11900 Bandar Bayan Baru Pulau Pinang Tel No : 04-6400822	093-006
PM SECURITIES SDN BHD	Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Penang Tel No : 04-2273000	064-004
RHB INVESTMENT BANK BERHAD	64 & 64-D Tingkat Bawah – Tingkat 3 & Tingkat 5 – Tingkat 8 Lebu Bishop 10200 Penang Tel No : 04-2634222	087-033
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No : 04-3900022	087-005

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5402888	087-015
RHB INVESTMENT BANK BERHAD	834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No : 04-5831888	087-032
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-6404888	087-042
RHB INVESTMENT BANK BERHAD	41-A, 41-B and 41-C Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang Tel No : 04-8352988	087-056
SJ SECURITIES SDN BHD	12th Floor, Office Tower Hotel Royal Penang No. 3 Jalan Larut 10050 Georgetown Pulau Pinang Tel No : 04-2289836	096-003
TA SECURITIES HOLDINGS BERHAD	3rd Floor, Bangunan Heng Guan No. 171, Jalan Burmah 10050 Pulau Pinang Tel No : 04-2272339	058-010
UOB KAY HIAN SECURITIES (M) SDN BHD	1st & 2nd Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-2299318	078-002
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5541388	078-003
<u>PERLIS INDRA KAYANGAN</u>		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No : 04-9793888	087-060

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
<u>KEDAH DARUL AMAN</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256666	068-011
ALLIANCE INVESTMENT BANK BERHAD	Lot T-30, 2nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088	076-004
RHB INVESTMENT BANK BERHAD	No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4204888	087-017
RHB INVESTMENT BANK BERHAD	35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-4964888	087-019
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor 214-A & 214-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209888	087-021
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 4, 5 & 5A Tingkat 1EMUM 55 No. 55, Jalan Gangsa Kawasan Perumahan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7322111	078-007
<u>NEGERI SEMBILAN DARUL KHUSUS</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground & 1st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612288	068-007
AFFIN HWANG INVESTMENT BANK BERHAD	No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553188	068-013
KENANGA INVESTMENT BANK BERHAD	1C & 1D, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7655998	073-001

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
MAYBANK INVESTMENT BANK BERHAD	Wisma HM No. 43, Jalan Dr Krishnan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7669555	098-005
PM SECURITIES SDN BHD	Ground, 1st, 2nd & 3rd Floor 18-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	064-002
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 32 & 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641641	087-024
RHB INVESTMENT BANK BERHAD	1st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-4421000	087-024
RHB INVESTMENT BANK BERHAD	Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-6461234	087-046
<u>JOHOR DARUL TAKZIM</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	068-004
ALLIANCE INVESTMENT BANK BERHAD	No. 73, Ground & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-7717922	076-006
AMINVESTMENT BANK BERHAD	18th Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3343855	086-001
AMINVESTMENT BANK BERHAD	3rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	086-002
CIMB INVESTMENT BANK BERHAD	No. 73, Ground Floor No. 73A & 79A, First Floor Jalan Kuning Dua 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3405888	065-001

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name			Address and telephone number	Broker Code
INTER-PACIFIC SECURITIES SDN BHD			95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	054-004
JUPITER BERHAD	SECURITIES	BANK	30-1, Jalan Molek 1/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3538878	055-002
KENANGA BERHAD	INVESTMENT	BANK	Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333600	073-004
KENANGA BERHAD	INVESTMENT	BANK	Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333515	073-009
KENANGA BERHAD	INVESTMENT	BANK	No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771161	073-010
KENANGA BERHAD	INVESTMENT	BANK	Ground Floor No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782292	073-001
KENANGA BERHAD	INVESTMENT	BANK	No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4326963	073-001
KENANGA BERHAD	INVESTMENT	BANK	No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9531222	073-024
KENANGA BERHAD	INVESTMENT	BANK	Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07-4678885	073-001
M & A SECURITIES SDN BHD			Suite 5.3A, Level 5 Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3381233	057-003

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
M & A SECURITIES SDN BHD	No. 27, 27A & 27B Jalan Molek 3/10 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3551988	057-007
MALACCA SECURITIES SDN BHD	74 Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3351533	012-001
MERCURY SECURITIES SDN BHD	Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	093-005
PM SECURITIES SDN BHD	Ground & 1st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333608	064-001
RHB INVESTMENT BANK BERHAD	6th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788821	087-006
RHB INVESTMENT BANK BERHAD	53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380288	087-009
RHB INVESTMENT BANK BERHAD	No. 33-1, 1st & 2nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9538262	087-025
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-5577628	087-006
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/ 1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-9321543	087-030
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 40 Jalan Haji Manan 86000 Kluang Johor Darul Takzim Tel No : 07-7769655	087-031

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626288	087-035
RHB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-9787180	087-038
RHB INVESTMENT BANK BERHAD	1st Floor, No. 2, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-9256881	087-039
RHB INVESTMENT BANK BERHAD	Ground & 1st & 2nd Floor Nos. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522293	087-043
TA SECURITIES HOLDINGS BERHAD	7A, Jalan Genuang Perdana Taman Genuang Perdana 85000 Segamat Johor Darul Takzim Tel No : 07-9435278	058-003
UOB KAY HIAN SECURITIES (M) SDN BHD	Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332000	078-001
UOB KAY HIAN SECURITIES (M) SDN BHD	42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-6637398	078-005
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 70, 70-01, 70-02 Jalan Rosmerah 2/ 17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513218	078-006
UOB KAY HIAN SECURITIES (M) SDN BHD	No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-5121633	078-008

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
<u>PAHANG DARUL MAKMUR</u>		
ALLIANCE INVESTMENT BANK BERHAD	Ground, Mezzanine & 1st Floor B400 Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660800	076-002
CIMB INVESTMENT BANK BERHAD	Ground, 1st & 2nd Floor No. A-27 Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09-5057800	065-001
JUPITER SECURITIES SDN BHD	2nd Floor, Lot No. 25 Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09-2234136	055-001
KENANGA INVESTMENT BANK BERHAD	A15, A17 & A19, Ground Floor Jalan Tun Ismail 2, Sri Dagangan 2 25000 Kuantan Pahang Darul Makmur Tel No : 09-5171698	073-027
MALACCA SECURITIES SDN BHD	P11-3, Jalan Chui Yin 28700 Bentong Pahang Darul Makmur Tel No : 09-2220993	012-008
RHB INVESTMENT BANK BERHAD	B32 & B34, Lorong Tun Ismail 8 Seri Dagangan II 25000 Kuantan Pahang Darul Makmur Tel No : 09-5173811	087-007
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-2234943	087-022
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-4914913	087-041
<u>KELANTAN DARUL NAIM</u>		
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-7430077	087-020
TA SECURITIES HOLDINGS BERHAD	298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7432288	058-004

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
UOB KAY HIAN SECURITIES (M) SDN BHD	Ground & 1st Floor Lot 712, Sek 9, PT 62 Jalan Tok Hakim 15000 Kota Bahru Kelantan Darul Naim Tel No : 09-7473906	078-004
<u>TERENGGANU DARUL IMAN</u>		
ALLIANCE INVESTMENT BANK BERHAD	Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6317922	076-009
FA SECURITIES SDN BHD	No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6238128	021-001
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-8583109	087-027
RHB INVESTMENT BANK BERHAD	31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6261816	087-055
<u>SARAWAK</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Ground Floor & 1st Floor No. 1, Jalan Pending 93450 Kuching Sarawak Tel No : 082-341999	068-005
AFFIN HWANG INVESTMENT BANK BERHAD	No. 282, 1st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330008	068-016
AMINVESTMENT BANK BERHAD	No. 164, 166 & 168 1st Floor Jalan Abell 93100 Kuching Sarawak Tel No : 082-244791	086-001

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
CIMB INVESTMENT BANK BERHAD	Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No : 082-358606	065-001
CIMB INVESTMENT BANK BERHAD	No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No : 084-367700	065-001
KENANGA INVESTMENT BANK BERHAD	Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435577	073-002
KENANGA INVESTMENT BANK BERHAD	Level 2-4, Wisma Mahmud Jalan Sungai Sarawak 93400 Kuching Sarawak Tel No : 082-338000	073-003
KENANGA INVESTMENT BANK BERHAD	No. 11-12 (Ground & 1st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313855	073-012
KENANGA INVESTMENT BANK BERHAD	Ground Floor of Survey Lot No. 4203 Parkcity Commerce Square Phase 6, Jalan Diwarta 97000 Bintulu Sarawak Tel No : 086-337588	073-018
MERCURY SECURITIES SDN BHD	1st Floor 16, Jalan Getah 96100 Sarikei Sarawak Tel No : 084-659019/ 084-658219	093-007
RHB INVESTMENT BANK BERHAD	Yung Kong Abell Units No. 1-10, 2nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel No : 082-250888/ 082-422252	087-008
RHB INVESTMENT BANK BERHAD	Lot 1268, 2nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422788	087-012

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	102, Pusat Pedada Jalan Pedada 96000 Sibul Sarawak Tel No : 084-329100	087-013
RHB INVESTMENT BANK BERHAD	Ground & 1st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No : 084-654100	087-050
RHB INVESTMENT BANK BERHAD	Ground and 1st Floor No. 221, Park City Commercial Centre Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-311770	087-053
TA SECURITIES HOLDINGS BERHAD	12G, H & I Jalan Kampong Datu 96000 Sibul Sarawak Tel No : 084-319998	058-002
TA SECURITIES HOLDINGS BERHAD	2nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No : 082-236333	058-006
<u>SABAH</u>		
AFFIN HWANG INVESTMENT BANK BERHAD	Suite 1-9-E1, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-311688	068-008
CIMB INVESTMENT BANK BERHAD	1st & 2nd Floor Central Building No. 28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-328878	065-001
KENANGA INVESTMENT BANK BERHAD	Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236188	073-032
RHB INVESTMENT BANK BERHAD	2nd Floor 81 & 83 Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-269788	087-010

16. PROCEDURE FOR APPLICATION AND ACCEPTANCE (CONT'D)

Name	Address and telephone number	Broker Code
RHB INVESTMENT BANK BERHAD	Lot 14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Tel No : 088-258618	087-036
RHB INVESTMENT BANK BERHAD	Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No : 089-229286	087-057
UOB KAY HIAN SECURITIES (M) SDN BHD	11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088-234090	078-011
UOB KAY HIAN SECURITIES (M) SDN BHD	Lot 177 & 178, Ground Floor Block 17, Phase 2, Prima Square Mile 4, North Road 90000 Sandakan Sabah Tel No : 089-218681	078-012