

ADVANCECON

ADVANCECON HOLDINGS BERHAD
(Company Number : 426965 - M)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FIRST QUARTER ENDED 31 MARCH 2018
(The figures have not been audited)

	Notes	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT YEAR QUARTER 31 MARCH 2018 RM	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2017 RM	CURRENT YEAR TO DATE 31 MARCH 2018 RM	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2017 RM
Revenue	A9	61,761,337	59,149,828	61,761,337	59,149,828
Cost of Sales		(50,911,448)	(44,041,153)	(50,911,448)	(44,041,153)
Gross Profit		10,849,889	15,108,675	10,849,889	15,108,675
Other Income		1,212,397	864,430	1,212,397	864,430
		12,062,286	15,973,105	12,062,286	15,973,105
Administrative Expenses		(5,890,470)	(4,715,744)	(5,890,470)	(4,715,744)
Other Operating Expenses		(786,521)	(697,144)	(786,521)	(697,144)
Finance Costs		(1,695,755)	(1,347,493)	(1,695,755)	(1,347,493)
Profit Before Taxation	B13	3,689,540	9,212,724	3,689,540	9,212,724
Income Tax Expense	B5	(1,157,167)	(2,360,496)	(1,157,167)	(2,360,496)
Profit After Taxation/Total Comprehensive income for		2,532,373	6,852,228	2,532,373	6,852,228
Total Comprehensive Income attributable to:-					
Owners of the Company		2,532,373	6,852,228	2,532,373	6,852,228
Attributable to equity holders of the Company:					
Basic earnings per share (sen)	B11	0.63	2.20 ⁽²⁾	0.63	2.20 ⁽²⁾
Diluted earnings per share (sen)		0.63	2.20	0.63	2.20

Notes:

(1) The Unaudited Condensed Consolidated Statement Of Profit Or Loss And Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes as attached to this interim financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B11.

NA Not applicable

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	AS AT	AS AT
	CURRENT	FINANCIAL
	QUARTER	YEAR ENDED
	31 MARCH 2018	31 DEC 2017
	RM	RM
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	158,854,165	151,367,890
Investment properties	33,302,763	32,927,635
Finance lease receivables	1,489,533	1,691,881
Trade receivables	145,675	155,675
	193,792,136	186,143,081
CURRENT ASSETS		
Amount owing by contract customers	12,631,364	8,762,940
Finance lease receivables	504,000	399,149
Trade receivables	124,701,623	113,918,084
Other receivables, deposits and prepayments	9,377,225	7,993,583
Short-term investments	2,917,800	2,293,570
Current tax assets	3,384,525	2,270,569
Deposits with licensed banks	23,193,201	22,315,291
Cash and bank balances	21,205,135	24,581,370
	197,914,873	182,534,556
TOTAL ASSETS	391,707,009	368,677,637
EQUITY AND LIABILITIES		
EQUITY		
Share capital	85,752,871	85,752,871
Retained profits	91,387,392	88,855,019
TOTAL EQUITY	177,140,263	174,607,890
NON-CURRENT LIABILITIES		
Deferred tax liabilities	6,624,084	6,624,084
Long-term borrowings	64,113,137	64,746,151
	70,737,221	71,370,235
CURRENT LIABILITIES		
Amount owing to contract customers	23,711,417	8,976,387
Trade payables	42,795,403	44,793,675
Other payables and accruals	22,594,241	25,278,026
Current tax liabilities	157,470	193,754
Short-term borrowings	33,012,069	40,556,315
Bank overdrafts	21,558,925	2,901,355
	143,829,525	122,699,512
TOTAL LIABILITIES	214,566,746	194,069,747
TOTAL EQUITY AND LIABILITIES	391,707,009	368,677,637
Net asset per share (RM) ⁽²⁾	0.44	0.43

Notes:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes as attached to this interim financial statements.

(2) Based on the weighted average number of ordinary shares in issue as detailed in Note B11.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR FIRST QUARTER ENDED 31 MARCH 2018

	SHARE CAPITAL RM	RETAINED PROFITS RM	TOTAL RM
The Group			
(Audited)			
Balance at 1.1.2017	31,207,900	74,412,729	105,620,629
Profit after taxation/Total comprehensive income for the financial year	-	18,463,080	18,463,080
Contribution by and distribution to owners of the company:			
- Issuance of shares	56,700,000	-	56,700,000
- Dividends	-	(4,020,790)	(4,020,790)
Share issue expenses	(2,155,029)	-	(2,155,029)
Balance at 31.12.2017	85,752,871	88,855,019	174,607,890
(Unaudited)			
Balance at 1.1.2018	85,752,871	88,855,019	174,607,890
Profit after taxation/Total comprehensive income for the financial year	-	2,532,373	2,532,373
Balance at 31.3.2018	85,752,871	91,387,392	177,140,263

Note:

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes as attached to this interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR FIRST QUARTER ENDED 31 MARCH 2018

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(The figures have not been audited)

	CUMULATIVE CURRENT PERIOD ENDED 31 MARCH 2018 RM	CUMULATIVE COMPARATIVE PERIOD ENDED 31 MARCH 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,689,540	9,212,724
<u>Adjustments for:-</u>		
Depreciation:		
- investment properties	90,172	112,999
- property, plant and equipment	6,128,763	4,233,395
Interest expense	1,695,755	1,347,493
(Gain) / Loss on disposal of property, plant and equipment	(144,796)	3,242
Gain on disposal of investment property	-	(153,823)
Interest income	(300,383)	(150,572)
Operating profit before working capital changes	11,159,051	14,605,458
Increase in amount owing by contract customers	(3,868,424)	(3,128,031)
Increase in amount owing to contract customers	14,735,030	3,320,959
(Increase)/ Decrease in trade and other receivables	(12,157,181)	37,812,415
Decrease in trade and other payables	(4,682,057)	(9,779,383)
Cash from operations	5,186,419	42,831,418
Interest paid	(1,695,755)	(1,347,493)
Tax refund	8,000	-
Tax paid	(2,315,407)	(1,076,487)
NET CASH FROM OPERATING ACTIVITIES	1,183,257	40,407,438
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest received	276,153	150,572
Dividend income from short-term investments	24,230	-
(Increase)/ Decrease in deposits pledged with licensed bank	(5,267,910)	1,144,086
Withdrawer of deposits with original maturity more than 3 months	4,600,000	-
Purchase of property, plant and equipment	(13,839,487)	(5,513,248)
Purchase of investment properties	(465,300)	(1,292,915)
Proceeds from disposal of property, plant and equipment	369,245	566
Partial sale proceeds received from disposal of investment property	-	115,000
Repayment of finance lease receivables	97,497	-
NET CASH FOR INVESTING ACTIVITIES	(14,205,572)	(5,395,939)
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividend paid	-	(9,500,000)
Drawdown of term loan	466,686	1,192,760
Net repayment of hire purchase obligations	(988,981)	(2,846,295)
Net (repayment)/ drawdown in bankers' acceptances	(1,172,339)	281,262
Net drawdown in invoice financing	553,059	232,174
Net repayment in revolving credit	(6,000,000)	-
Repayment of term loans	(1,035,685)	(670,893)
NET CASH FOR FINANCING ACTIVITIES	(8,177,260)	(11,310,992)
NET INCREASE IN CASH AND CASH EQUIVALENT	(21,199,575)	23,700,507
Cash and cash equivalents at beginning of the financial year	23,973,585	(6,008,271)
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	2,774,010	17,692,236

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Cash and cash equivalent comprised of:

	RM	RM
Deposits with licensed banks	23,193,201	19,686,443
Short-term investments	2,917,800	-
Cash and bank balances	21,205,135	24,663,569
Bank overdrafts	(21,558,925)	(6,971,333)
	<u>25,757,211</u>	<u>37,378,679</u>
Less: Deposits pledged to licensed banks	(22,983,201)	(19,686,443)
	<u>2,774,010</u>	<u>17,692,236</u>
	-	-

Notes:

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and the accompanying explanatory notes as attached to this interim financial statements.

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A1. Basis of Preparation

The interim financial report of the Group are unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting, International Accounting Standard ("IAS") 34, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements").

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2017, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS beginning 1 January 2018:

MFRS 9 Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities
MFRS 15 Revenue from Contracts with Customers

The adoption of the revised standards and amendments that are applicable from the financial year beginning on 1 January 2018 is not expected to result in any material impact on the financial position and results of the Group.

These are the first interim financial report on the Company's consolidated results for the first quarter ended 31 March 2018 announced in compliance with the Listing Requirements.

This unaudited interim financial report should be read in conjunction with the Group's most recent audited financial statements for the financial year ended 31 December 2017.

A2. Changes In Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2017 except as follows:

• MFRS 16, Leases	Effective 1 January 2019
• MFRS 128, Long term Interest in Associates and Joint Ventures (Amendments to MFRS 128)	Effective 1 January 2019
• MFRS 17, Insurance Contracts	Effective 1 January 2021
• Amendments to MFRS 10 and MFRS 128, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements did not have any material financial impact to the Group.

The Group has not early adopted any new or revised standards, amendments or IC Interpretations which are applicable to the Group that have been issued by the MASB but are not yet effective for the Group's current financial year ending 31 December 2018 .

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2017.

A4. Seasonal or Cyclical Factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors for the financial period under review.

A5. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items for the financial period under review.

A6. Changes in Estimates

There were no material changes in estimates for the financial period under review.

A7. Debt and Equity Securities

There were no issuance or repayment of debt and equity securities, share buy-backs, shares cancellations, shares held as treasury shares or resale of treasury shares for the financial period under review.

A8. Dividends Paid

As at the date of this report, there was no payment of dividend during the financial year ending 31 December 2018.

A9. Segmental Reporting

The Group's operating and reportable segments comprised of:

- (a) Construction and Support Services under Earthworks and Civil Engineering Sector; and
- (b) Property Investment that deals with the holding of investment properties for capital gain and/or rental income.

	Construction and Support Services	Property Investment	Consolidation Adjustment	Total
The Group	RM	RM	RM	RM
Revenue				
External revenue	61,693,551	67,786	-	61,761,337
Inter-segment revenue	16,652,978	-	(16,652,978)	-
Consolidated revenue	<u>78,346,529</u>	<u>67,786</u>	<u>(16,652,978)</u>	<u>61,761,337</u>
Results				
Segment results	5,227,059	(142,148)	-	5,084,911
Interest income				276,154
Dividend income from short -term investments				24,230
				<u>5,385,295</u>
Finance costs				<u>(1,695,755)</u>
Consolidated profit before taxation				3,689,540
Income tax expense				<u>(1,157,167)</u>
Consolidated profit after taxation				<u>2,532,373</u>

A10. Significant Events after the End of the Interim Financial Period

i) On 12 April 2018, Advancecon Machinery Sdn. Bhd., a wholly-owned subsidiary entered into 2 separate Sale and Purchase Agreement with Perbadanan Kemajuan Negeri Selangor to purchase 2 pieces of industrial land located at Seksyen 6 Kota Puteri Daerah Gombak for a total purchase consideration of approximately RM13,746,061. The Group intends to construct a workshop on these 2 pieces of industrial land as part of the Group's expansion plan and offers greater support in terms of repair and maintenance for the Group's machinery and equipment by the end of 2019.

ii) On 18 April 2018, the Board of Advancecon announced that Advancecon Holdings Berhad ("Advancecon") proposed to seek the approval of its shareholders a mandate for the Company to purchase up to 10% of the issued share capital of Advancecon. The Proposed Share Buy Back is subject to compliance with Section 127 of the Act and any prevailing laws, orders, requirements, guidelines, rules and regulations issued by any relevant authorities at the time of purchase. The shareholders mandate is scheduled to be obtained at our Twenty-First (21st) AGM on 27 June 2018.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period under review.

A12. Fair Value of Financial Instruments

There were no gains or losses arising from fair value changes for all financial assets and liabilities for the financial period under review.

A13. Capital Commitments

	Unaudited As at 31 March 2018 RM
Approved and contracted for:-	
Purchase of property, plant and equipment	12,350,995
Purchase of investment properties	930,600
	<u>13,281,595</u>

A14. Operating Lease Commitment

The future minimum lease payments under the non-cancellable operating lease was:

	Unaudited As at 31 March 2018 RM
Not later than 1 year	1,260,000
Later than 1 year and not later than 5 years	105,000
	<u>1,365,000</u>

A15. Contingent Liabilities

There were no contingent liabilities at the Group level as at the date of this report.

A16. Significant Related Party Transactions

	Unaudited 3 Months Ended 31 March 2018 RM
(i) Transaction with Director	
Paid and payable:-	
Rental of premise	<u>16,500</u>

B1. Review of Group Performance

	3 Months ended		Variance	
	31 March 2018	31 March 2017		
	RM	RM	RM	%
Revenue	61,761,337	59,149,828	2,611,509	4.4%
Profit Before Taxation	3,689,540	9,212,724	(5,523,184)	-60.0%
Profit After Taxation	2,532,373	6,852,228	(4,319,855)	-63.0%

For the current quarter under review, the increase in the Group's revenue was mainly attributable to higher progress billings from its construction and support services as compared to the corresponding preceding quarter. Overall, construction and support services contributed almost 100% of the Group's revenue for both the current quarter and preceding year corresponding quarter, at RM 61.69 million and RM 59.12 million respectively. The balance of revenue was derived from property investment.

Construction and Support Services

During the current quarter under review, the profit before taxation ("PBT") achieved by this division was RM 4.05 million or 6.56% as compared to RM 9.37 million or 15.84% during the preceding year corresponding quarter.

The decline in PBT during the current quarter under review versus preceding year corresponding quarter was a result of:

1. Profit recognition for the completion of a fast track project in the preceding year corresponding quarter;
2. Higher cost of sales, in particular, increased staff costs (+3.1%), depreciation charges (+2.7%) and materials (+2.2%);
3. The volume weighted average cost of diesel rose from RM 1.88 per litre to RM 2.02 per litre (+7.4%);
4. Higher administrative costs in the form of insurances for machinery and bank guarantee charges; and
5. Increased hire purchase interest.

The Group's profit after taxation ("PAT") recorded by this division was RM 2.53 million or 4.10% as compared to RM 7.01 million or 11.9% during the corresponding preceding quarter. This was mainly due to the reasons stated above and the provision for deferred tax during the current quarter under review.

Property Investment

For the current quarter under review, this division recorded a loss before taxation of RM 0.36 million versus RM 0.15 million in the corresponding preceding quarter mainly due to gain on disposal of property in the latter period.

B2. Comparison with Immediate Preceding Quarter Results

	3 Months ended		Variance	
	31 March 2018	31 December 2017		
	RM	RM	RM	%
Revenue	61,761,337	63,750,236	(1,988,899)	-3.1%
Profit Before Taxation	3,689,540	2,541,216	1,148,324	45.2%
Profit After Taxation	2,532,373	803,388	1,728,985	215.2%

During the current quarter under review, the decline in the Group's revenue was mainly due to lower progress billings versus the immediate preceding quarter. For the same period under review, the Group's PBT was higher as a result of lower cost of sales, in particular, reduction in subcontractors' fee as compared to immediate preceding quarter. The Group's PAT during the current quarter under review was also higher in line with the increased PBT and lower provision of deferred tax versus immediate preceding quarter.

B3. Prospects for the Current Financial Year

As a result of the recent outcome of GE14 and the change of government, several announcements have been made with regards to the review of existing mega infrastructure projects, the award of government projects via open tender or competitive bidding, the abolishment of tolls in stages and that Goods and Services Tax ("GST") will be zero-rated from 1 June 2018.

The Group does not expect any adverse impact to our existing infrastructure projects, namely West Coast Expressway and Sarawak Pan Borneo Highway, going forward as a result of such review. Moreover, the Group also expects to benefit from open tender for government projects based on the Group's proven track records for the past 25 years on quality and timeliness in terms of projects delivery. As for GST being zero-rated, the Group will certainly benefit in terms of cash flow related to monthly GST payment.

Hence, the recent change in government augurs well for the Group and it shall remain focused and committed in delivering projects in the current outstanding orderbook. Nevertheless, the Group has the resources to take in additional jobs and is confident to win several more projects in 2018 and such projects will contribute positively to the Group's earnings in the current and next financial years.

B4. Profit Forecast

The Group did not issue any profit forecast or profit guarantee for the financial period under review.

B5. Taxation

	Unaudited	
	31 March 2018	31 March 2017
	RM	RM
Income tax	514,392	2,360,496
Deferred tax	642,775	-
	<u>1,157,167</u>	<u>2,360,496</u>
Effective tax rate ⁽¹⁾	31.4%	25.6%

Notes:

- (1) The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% mainly due to adjustment for deferred tax.

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD Page 9
(CONT'D)

B6. Status of Corporate Proposals

There was no corporate proposal during the current quarter under review.

B7. Utilisation of Proceeds Raised from Public Issue

The gross proceeds from the Public Issue amounting to RM56.70 million was intended to be utilised in the following manner:

No.	Details of utilisation	Estimated timeframe for utilisation upon Listing	Amount	Actual Utilisation	Percentage Utilised
			RM'000	RM'000	%
i.	Total Capital expenditures:-	Within 24 months	29,700	(12,960)	44%
	(a) Purchase of new construction machinery and equipment	Within 12 months	15,100	(12,960)	86%
	(b) Construction of new workshop	Within 24 months	14,600	-	0%
ii.	Repayment of bank borrowings	Within 6 months	12,500	(12,455)	99%
iii.	Working capital	Within 24 months	10,700	(10,700)	100%
iv.	Estimated listing expenses	Upon Listing	3,800	(3,800)	100%
			56,700	(39,915)	70%

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 19 June 2017.

B8. Group Borrowings and Debt Securities

	Unaudited As at 31 March 2018 RM	Audited As at 31 Dec 2017 RM
Non-current		
Term Loans	21,414,817	21,374,650
Hire Purchase Payables	42,698,320	43,371,501
Current		
Term Loans	4,591,889	5,201,055
Hire Purchase Payables	12,986,130	13,301,930
Bankers' Acceptances	2,863,661	4,036,000
Bank Factoring	-	-
Invoice Financing	4,570,389	4,017,330
Revolving Credit	8,000,000	14,000,000
Bank Overdrafts	21,558,925	2,901,355
	118,684,131	108,203,821

B9. Material Litigation

As at the date of this report, the Group was not engaged in any material litigation.

B10. Dividends Declared

No dividend has been declared or recommended for payment by the Company for the financial year ending 31 December 2018.

B11. Earnings Per Share

The basic earnings per share was computed as follow:

	Unaudited 3 Months Ended	
	31 March 2018	31 March 2017
Profit after tax attributable to the owners of the Company (RM)	2,532,373	6,852,228
Weighted average number of ordinary shares	402,079,000	312,079,000
Basic earnings per share (sen) ⁽¹⁾	0.63	2.20
Diluted earnings per share (sen)	0.63	2.20

Notes:

(1) The basic earnings per share was computed based on profit attributable to owners of the Company divided by the weighted average number of ordinary shares.

B12. Notes to the Statement of Comprehensive Income

Profit/Loss before taxation was arrived at after charging/(crediting):-

	Unaudited	
	Individual Quarter 31 March 2018 RM	Cumulative Quarter 31 March 2018 RM
Auditors' remuneration:	29,750	29,750
Depreciation:		
- property, plant and equipment	6,128,763	6,128,763
- investment properties	90,172	90,172
Directors' remuneration	836,255	836,255
Interest expenses	1,695,755	1,695,755
Staff costs	10,354,847	10,354,847
Gain on disposal of property, plant and equipment	(144,796)	(144,796)
Interest income	(276,153)	(276,153)
Dividend income from short -term investments	(24,230)	(24,230)

**BY ORDER OF THE BOARD
ON 25 MAY 2018**