



ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018

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ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR FOURTH QUARTER ENDED 31 DEC 2018

(The figures have not been audited)

| | Note | Individual Quarter | | Cumulative Quarter | |
|------------------------------------------------------------------------------------------|------|---------------------------------------------|----------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------|
| | | Current Year Quarter 31.12.2018 RM | Preceding Year Corresponding Quarter 31.12.2017 RM | Current Year Period 31.12.2018 RM | Preceding Year Corresponding Period 31.12.2017 RM |
| Revenue | A9 | 71,584,786 | 63,750,236 | 272,860,464 | 265,988,572 |
| Cost of Sales | | (64,133,174) | (54,801,427) | (232,949,282) | (215,060,939) |
| Gross Profit | | 7,451,612 | 8,948,809 | 39,911,182 | 50,927,633 |
| Other Income | | 6,128,432 | 2,201,659 | 10,027,134 | 5,874,699 |
| | | 13,580,044 | 11,150,468 | 49,938,316 | 56,802,332 |
| Administrative Expenses | | (6,334,228) | (5,885,530) | (24,124,131) | (21,347,458) |
| Other Operating Expenses | | (1,021,497) | (1,117,869) | (2,703,583) | (3,316,278) |
| Finance Costs | | (1,995,193) | (1,605,853) | (7,685,177) | (5,403,324) |
| Share of Result In An Associates Company | | (30) | - | (30) | - |
| Profit Before Taxation | B12 | 4,229,096 | 2,541,216 | 15,425,395 | 26,735,272 |
| Income Tax Expense | B5 | (1,342,998) | (1,737,828) | (4,807,258) | (8,272,192) |
| Profit After Taxation/Total Comprehensive income for the Financial Period | | 2,886,098 | 803,388 | 10,618,137 | 18,463,080 |
| Total Comprehensive Income attributable to: | | | | | |
| - Owners of the Company | | 2,886,098 | 803,388 | 10,618,137 | 18,463,080 |
| Earnings per share (sen) attributable to owners of the parent: | | | | | |
| - Basic ⁽²⁾ | B11 | 0.72 | 0.22 | 2.64 | 5.18 |
| - Diluted ⁽²⁾ | B11 | 0.72 | 0.22 | 2.64 | 5.18 |

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.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | (Unaudited) As at Current Quarter 31.12.2018 RM | (Audited) As at Financial Year Ended 31.12.2017 RM |
|---------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 151,196,756 | 151,367,890 |
| Investment properties | 39,222,108 | 32,927,635 |
| Finance lease receivables | 2,748,578 | 1,691,881 |
| Other investments | 50,315 | - |
| Deferred tax assets | 160,149 | - |
| Trade receivables | - | 155,675 |
| | 193,377,906 | 186,143,081 |
| Current assets | | |
| Contract assets | 5,452,613 | 8,762,940 |
| Finance lease receivables | 890,840 | 399,149 |
| Trade receivables | 140,573,690 | 113,918,084 |
| Other receivables, deposits and prepayments | 23,354,702 | 7,993,583 |
| Amount owing by a related party | 1,500 | - |
| Amount owing by an associate company | 3,788 | - |
| Short-term investments | 4,194,411 | 2,293,570 |
| Current tax assets | 1,509,428 | 2,270,569 |
| Deposits with licensed banks | 32,637,176 | 22,315,291 |
| Cash and bank balances | 7,708,889 | 24,581,370 |
| | 216,327,037 | 182,534,556 |
| TOTAL ASSETS | 409,704,943 | 368,677,637 |

ADVANCECON HOLDINGS BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

| | (Unaudited) As at Current Quarter 31.12.2018 RM | (Audited) As at Financial Year Ended 31.12.2017 RM |
|-------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------------------|
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 85,752,871 | 85,752,871 |
| Treasury shares | (339,076) | - |
| Reserves | 1,116,498 | - |
| Retained profits | 93,806,238 | 88,855,019 |
| TOTAL EQUITY | 180,336,531 | 174,607,890 |
| Non-current liabilities | | |
| Deferred tax liabilities | 4,909,076 | 6,624,084 |
| Long-term borrowings | 78,790,418 | 64,746,151 |
| | 83,699,494 | 71,370,235 |
| Current liabilities | | |
| Contract liabilities | 20,679,138 | 8,976,387 |
| Trade payables | 49,147,250 | 44,793,675 |
| Other payables and accruals | 15,921,252 | 25,278,026 |
| Dividend payable | 4,017,260 | - |
| Current tax liabilities | 272,022 | 193,754 |
| Short-term borrowings | 51,176,455 | 40,556,315 |
| Bank overdrafts | 4,455,541 | 2,901,355 |
| | 145,668,918 | 122,699,512 |
| TOTAL LIABILITIES | 229,368,412 | 194,069,747 |
| TOTAL EQUITY AND LIABILITIES | 409,704,943 | 368,677,637 |
| Net asset per share (RM) | 0.45 | 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.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR FOURTH QUARTER ENDED 31 DEC 2018

| | Share Capital | Treasury Share | Equity-Settled Employee Benefits ("ESOS") Reserve | Retained Profits | Total Equity |
|---------------------------------------------------------------------------------------|-------------------|------------------|---------------------------------------------------|-------------------|--------------------|
| | RM | RM | RM | RM | 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 (Unaudited) | 85,752,871 | - | - | 88,855,019 | 174,607,890 |
| Balance at 1.1.2018 | 85,752,871 | - | - | 88,855,019 | 174,607,890 |
| Effect on deconsolidation of subsidiary companies under Members' Voluntary Winding Up | - | - | - | (1,649,658) | (1,649,658) |
| Profit after taxation/Total comprehensive income for the financial year | - | - | - | 10,618,137 | 10,618,137 |
| Contribution by and distribution to owners of the company: | | | | | |
| - Purchase of treasury shares | - | (339,076) | - | - | (339,076) |
| - Dividends | - | - | - | (4,017,260) | (4,017,260) |
| - Share-based payment under ESOS | - | - | 1,116,498 | - | 1,116,498 |
| Balance at 31.12.2018 | 85,752,871 | (339,076) | 1,116,498 | 93,806,238 | 180,336,531 |

Notes:

- (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.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DEC 2018

(The figures have not been audited)

| | Cumulative Current Period Ended 31.12.2018 RM | Cumulative Comparative Period Ended 31.12.2017 RM |
|-----------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 15,425,395 | 26,735,272 |
| Adjustments for:- | | |
| Allowance for impairment losses on trade receivables | 443,050 | - |
| Depreciation: | | |
| - investment properties | 527,363 | 466,410 |
| - property, plant and equipment | 25,042,508 | 20,485,991 |
| Fair value adjustments: | | |
| -trade receivables | 625,913 | 25,477 |
| - trade payables | (247,062) | (136,316) |
| Interest expense | 7,685,177 | 5,403,324 |
| Expense utilisation in respect of equity-settled share-based payments | 1,116,498 | - |
| Property, plant and equipment written off | 6,004 | 315,761 |
| Gain on disposal of property, plant and equipment | (5,337,636) | (752,363) |
| Gain on disposal of investment property | - | (153,823) |
| Interest income | (1,262,504) | (1,193,877) |
| Reversal of impairment losses on: | | |
| - trade receivables | - | (96,220) |
| - other receivables | - | (366,536) |
| Operating profit before working capital changes | 44,024,706 | 50,733,100 |
| Decrease / (Increase) in contract assets | 3,310,327 | (5,235,309) |
| Increase / (Decrease) in contract liabilities | 11,702,751 | (11,381,904) |
| (Increase)/ Decrease in trade and other receivables | (42,987,013) | 8,658,005 |
| Increase / (Decrease) in trade and other payables | 545,880 | (8,007,005) |
| Increase in amount owing by a related party | (1,500) | - |
| Increase in amount owing by an associate company | (3,818) | - |
| Cash from operations | 16,591,333 | 34,766,887 |
| Interest paid | (7,685,177) | (5,403,324) |
| Tax refund | 866,578 | 408,827 |
| Tax paid | (6,654,840) | (9,458,328) |
| Interest received from trade receivables | - | 586 |
| NET CASH FROM OPERATING ACTIVITIES | 3,117,894 | 20,314,648 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DEC 2018 (CONT'D)

(The figures have not been audited)

| | Cumulative Current Period Ended 31.12.2018 RM | Cumulative Comparative Period Ended 31.12.2017 RM |
|--------------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|
| CASH FLOWS FOR INVESTING ACTIVITIES | | |
| Interest received | 1,179,903 | 1,179,721 |
| Dividend income from short-term investments | 82,601 | 13,570 |
| (Increase) / Decrease in deposits pledged with licensed bank | (14,921,885) | 3,115,238 |
| Withdrawer / (Placement) of deposits with original maturity more than 3 months | 4,600,000 | (4,600,000) |
| Purchase of property, plant and equipment | (16,022,042) | (17,900,000) |
| Purchase of investment properties | (1,514,189) | (3,315,549) |
| Sale proceeds from disposal of property, plant and equipment | 13,469,246 | 3,073,686 |
| Sale proceeds received from disposal of an investment property | - | 1,150,000 |
| Repayment of finance lease receivables | 436,982 | 95,970 |
| Increase in other investment | (50,315) | - |
| Net cash flow from deconsolidation of subsidiary companies | (1,649,658) | - |
| NET CASH FOR INVESTING ACTIVITIES | (14,389,357) | (17,187,364) |
| CASH FLOWS (FOR) / FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of shares | - | 56,700,000 |
| Share issue expenses | - | (2,155,029) |
| Dividend paid | - | (13,520,790) |
| Drawdown of term loan | 13,751,244 | 3,522,909 |
| Advances from an associate company | 30 | - |
| Purchase of treasury shares | (339,076) | - |
| Net repayment of hire purchase obligations | (24,355,184) | (21,570,792) |
| Net drawdown in bankers' acceptances | 8,011,000 | 687,914 |
| Net drawdown /(repayment) in invoice financing | 12,139,018 | (435,691) |
| Net (repayment) / drawdown in revolving credit | (11,000,000) | 8,000,000 |
| Drawdown of bills discounting | 1,815,805 | - |
| Repayment of term loans | (5,277,200) | (4,373,949) |
| NET CASH (FOR) / FROM FINANCING ACTIVITIES | (5,254,363) | 26,854,572 |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT | (16,525,826) | 29,981,856 |
| 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 | 7,447,759 | 23,973,585 |

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR FOURTH QUARTER ENDED 31 DEC 2018 (CONT'D)

(The figures have not been audited)

| | Cumulative Current Period Ended 31.12.2018 RM | Cumulative Comparative Period Ended 31.12.2017 RM |
|------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------------------------------------------|
| Cash and cash equivalent comprised of: | | |
| Deposits with licensed banks | 32,637,176 | 22,315,291 |
| Short-term investments | 4,194,411 | 2,293,570 |
| Cash and bank balances | 7,708,889 | 24,581,370 |
| Bank overdrafts | <u>(4,455,541)</u> | <u>(2,901,355)</u> |
| | 40,084,935 | 46,288,876 |
| Less: Deposits pledged to licensed banks | (32,637,176) | (17,715,291) |
| Less: Deposit with original maturity of more than 3 months | - | (4,600,000) |
| | <u><u>7,447,759</u></u> | <u><u>23,973,585</u></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.

ADVANCECON HOLDINGS BERHAD

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2018

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

MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments and expected-loss impairment model that will require more timely recognition of expected credit losses which replaces the “incurred loss” model in MFRS 139.

MFRS 15 Revenue from Contract

The core principle of MFRS 15 is that an entity utilises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity utilises revenue in accordance with the core principle by applying the following steps:

- (i) identify the contracts with a customer;
- (ii) identify the performance obligation in the contract;
- (iii) determine the transaction price;
- (iv) allocate the transaction price to the performance obligations in the contract; and
- (v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows 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 fourth interim financial report on the Company’s consolidated results for the fourth quarter ended 31 Dec 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:

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2018 (CONT'D)

A2. Changes In Accounting Policies (Cont'd)

| MFRSs and/or IC Interpretations (Including The Consequential Amendments) | Effective Date |
|-----------------------------------------------------------------------------------------------------------------------------|----------------|
| • MFRS 16, Leases | 1 January 2019 |
| • MFRS 17 Insurance Contracts | 1 January 2021 |
| • IC Interpretation 23 Uncertainty Over Income Tax Treatments | 1 January 2019 |
| • Amendments to MFRS 3: Definition of a Business | 1 January 2020 |
| • Amendments to MFRS 9: Prepayment Features with Negative Compensation | 1 January 2019 |
| • Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| • Amendments to MFRS 101 and MFRS 108: Definition of Material | 1 January 2020 |
| • Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| • Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| • Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |
| • Annual Improvements to MFRS Standards 2015 – 2017 Cycles | 1 January 2019 |

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

As at 27 February 2019, there were no issuance or repayment of debt and equity securities, except as disclosed below:

On 19 December 2018 to 21 December 2018, 27 December 2018 to 28 December 2018 and 31 December 2018, the Company has repurchased a total of 808,000 ordinary shares from the open market at prices from RM0.275 to RM0.30 per share.

As at 27 February 2019, the number of treasury shares stood at 1,161,000.

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2018 (CONT'D)

A8. Dividends Paid

During the current quarter under review, a first interim single tier dividend of 1.00 sen per ordinary share amounting to approximately RM 4.02 million in respect of financial year ending 31 December 2018 was paid on 3 January 2019.

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.

| The Group | Construction and Support Services RM | Property Investment RM | Consolidation Adjustment RM | Total RM |
|---------------------------------------------|--------------------------------------------|------------------------------|-----------------------------------|--------------------------|
| Revenue | | | | |
| External revenue | 272,516,333 | 344,131 | - | 272,860,464 |
| Inter-segment revenue | 74,744,573 | - | (74,744,573) | - |
| Consolidated revenue | <u>347,260,906</u> | <u>344,131</u> | <u>(74,744,573)</u> | <u>272,860,464</u> |
| Results | | | | |
| Segment results | 28,442,180 | 2,468,439 | (9,062,521) | 21,848,098 |
| Interest income | | | | 1,179,903 |
| Dividend income from short-term investments | | | | <u>82,601</u> |
| | | | | 23,110,602 |
| Finance Cost | | | | (7,685,177) |
| Share of result in an associated company | | | | <u>(30)</u> |
| Consolidated profit before taxation | | | | 15,425,395 |
| Income tax expense | | | | <u>(4,807,258)</u> |
| Consolidated profit after taxation | | | | <u>10,618,137</u> |

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

There were no other material events subsequent to the end of current quarter and financial period-to date that have not been reflected in this interim financial report.

ADVANCECON HOLDINGS BERHAD

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A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DEC 2018 (CONT'D)

A11. Changes in the Composition of the Group

On 12 October 2018, a new 30% owned associated company named Advancecon (Sarawak) Sdn. Bhd. was incorporated in Malaysia under the Companies Act, 2016. Its principal activities are to carry on the business providing earthworks, civil engineering and other related services.

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

Approved and contracted for:-
Purchase of property, plant and equipment

**Unaudited
As at
31.12.2018
RM**

2,565,000

A14. Operating Lease Commitment

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

Not later than 1 year

**Unaudited
As at
31.12.2018
RM
420,000**

A15. Contingent Liabilities

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

A16. Significant Related Party Transactions

Transaction with Director
Paid and payable:-
Rental of premise

**Unaudited
12 Months
Ended
31.12.2018
RM**

66,000

ADVANCECON HOLDINGS BERHAD

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

| | 3 Months Individual Period | | | 12 Months Cumulative Period | | |
|------------------------|----------------------------|------------------|---------------|-----------------------------|------------------|---------------|
| | 31.12.2018 RM | 31.12.2017 RM | Variance % | 31.12.2018 RM | 31.12.2017 RM | Variance % |
| Revenue | 71,584,786 | 63,750,236 | 12.3 | 272,860,464 | 265,988,572 | 2.6 |
| Profit Before Taxation | 4,229,096 | 2,541,216 | 66.4 | 15,425,395 | 26,735,272 | -42.3 |
| Profit After Taxation | 2,886,098 | 803,388 | 259.2 | 10,618,137 | 18,463,080 | -42.5 |

For the current quarter under review, the Group recorded a 12.3% increase in revenue as compared to preceding year corresponding quarter. The increase was mainly attributable to higher progress billings from its on-going construction and support services. Overall, construction and support services contributed almost 100% of the Group's revenue for both the current quarter and preceding year corresponding quarter, at RM71.44 million and RM63.68 million respectively. The balance of revenue was derived from property investment.

Meanwhile, the Group registered significant increase for both profit before taxation ("PBT") and profit after taxation ("PAT") of 66.4% and 259.2% respectively as a result of significant gain from the sale of a leasehold land versus the preceding year corresponding quarter.

Construction and Support Services

During the current quarter under review, the PBT and PBT margin achieved by this division was RM 1.29 million and 1.81 % as compared to RM 2.93 million and 4.61% during the preceding year corresponding quarter.

The decline in PBT and PBT margin during the current quarter was mainly due to:

1. A RM 1.00 million charge for Employee Share Options Scheme ("ESOS") which contributed 1.4% increase in cost of sales;
2. The recognition of RM 0.23 million loss from deemed disposal for 2 subsidiaries companies under Members' Voluntary Liquidation; and
3. Marginal increase in both administrative expenses and finance costs.

The weighted average diesel costs for the current period under review was RM 2.30 per litre as compared to RM 1.96 per litre during the preceding year corresponding quarter. The increase in weighted average diesel costs did not contribute to higher cost of sales as a percentage to revenue because it was mitigated by reduced diesel consumption and higher revenue contribution from on-going construction projects.

In terms of profit after taxation ("PAT") and PAT margin, the division achieved RM 0.50 million and 0.70% as compared to RM 1.24 million and 1.93% during the preceding year corresponding quarter. However, assuming the absence of ESOS charge and the loss from deemed disposal during the current quarter under review, the PAT and PAT margin would have been RM 1.73 million and 2.42% respectively, which represents an increase of 0.49% in PAT margin versus the preceding year corresponding quarter.

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B1. Review of Group Performance (continued)

Property Investment

For the current quarter under review, this division recorded PBT and PAT of RM 2.94 million and RM 2.37 million respectively versus loss before taxation and after taxation of RM 0.40 and RM 0.43 million in the preceding year corresponding quarter mainly due to the recognition of gain from the disposal of a leasehold industrial land held under HS (M) 42054, PT 65651, Bandar Sultan Sulaiman, 42000 Pelabuhan Klang.

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

B2. Comparison with Immediate Preceding Quarter Results

| | 3 Months Individual Period | | |
|------------------------|----------------------------|------------|----------|
| | 31.12.2018 | 30.09.2018 | Variance |
| | RM | RM | % |
| Revenue | 71,584,786 | 65,780,042 | 8.8 |
| Profit Before Taxation | 4,229,096 | 2,224,650 | 90.1 |
| Profit After Taxation | 2,886,098 | 1,536,319 | 87.9 |

The improvements recorded in both the top- and bottom-line during the current period under review versus the immediate preceding quarter were attributable to the same reasons mentioned in note B1.

B3. Prospects

The Group is optimistic of achieving positive financial results in the next financial year due to:

1. The recent change in government does not affect the continuity of the Group's projects, namely West Coast Expressway and Pan Borneo Highway;
2. The Group's current outstanding order book of RM 845.4 million or 3.18 times of last year's audited revenue will provide earnings visibility for a minimum of 24 months;
3. The Government's announcement that construction services shall be exempted from Sales & Services Tax augurs well for the Group and the industry as a whole;
4. The Group's had successfully secured several new projects worth a total of RM 110.05 million was a testament of the Group's resilience in times of market uncertainties post GE14 to bring total projects secured thus far in the current financial year to RM 480.12 million or 1.81 times of last year's audited revenue;
5. The Group does not expect significant variation in the weighted average diesel costs but within range from its current level of RM 2.30 per litre for the next 6 months (March 2019 to August 2019); and
6. The Group is also actively bidding for more earthworks projects from its current customers.

B4. Profit Forecast

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

B5. Taxation

| | Unaudited | Audited |
|-----------------------------------|------------------|------------------|
| | 12 Months Ended | |
| | 31.12.2018 | 31.12.2017 |
| | RM | RM |
| Income tax | 6,625,415 | 6,382,575 |
| Deferred tax | (1,875,157) | 1,889,617 |
| Real Property Gains Tax | 57,000 | - |
| | <u>4,807,258</u> | <u>8,272,192</u> |
| Effective tax rate ⁽¹⁾ | 31.2% | 30.9% |

Notes:

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

ADVANCECON HOLDINGS BERHAD

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B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (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

On 29 August 2018, the Company announced its intention to vary the utilisation of proceeds raised from the IPO exercise in conjunction with the listing of and the quotation of its entire share capital on the Main Market of Bursa Malaysia Securities on 10 July 2017. The Company has raised gross proceeds which is amounting to RM56.70 million from its IPO ("IPO Proceeds").

The details of the variations of the IPO Proceeds are as set out below:

| No | Details of utilisation | Allocation of IPO Proceeds upon listing ⁽¹⁾ | Allocation of IPO Proceeds upon listing (revised) | Actual utilisation of IPO Proceeds | Unutilised IPO Proceeds | Estimated timeframe for utilisation (upon listing) |
|------|----------------------------------------------------------|--------------------------------------------------------|---------------------------------------------------|------------------------------------|-------------------------|----------------------------------------------------|
| | | RM'000 | RM'000 | RM'000 | RM'000 | |
| i. | Total Capital expenditures:- | 29,700 | 29,190 | (12,960) | 16,230 | Within 36 months |
| | (a) Purchase of new construction machinery and equipment | 15,100 | 15,100 | (12,960) | 2,140 | Within 24 months |
| | (b) Construction of new workshop | 14,600 | 14,090 ⁽²⁾ | - | 14,090 | Within 36 months |
| ii. | Repayment of bank borrowings | 12,500 | 12,455 ⁽²⁾ | (12,455) | - | Within 6 months |
| iii. | Working capital | 10,700 | 11,255 ⁽²⁾ | (11,255) | - | Within 24 months |
| iv. | Estimated listing expenses | 3,800 | 3,800 | (3,800) | - | Upon Listing |
| | | 56,700 | 56,700 | (40,470) | 16,230 | |

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

B7. Utilisation of Proceeds Raised from Public Issue (Cont'd)

Notes:

- (1) As per IPO Prospectus dated 19 June 2017.
- (2) On 29 August 2018, the Board announced to re-allocate the utilisation of construction of new workshop and repayment of bank borrowings to day-to-day working capital expenses for payment to suppliers.

B8. Group Borrowings and Debt Securities

| | Unaudited | Audited |
|---------------------------|-------------------------|-------------------------|
| | As at 31.12.2018 | As at 31.12.2017 |
| | RM | RM |
| <u>Non-current</u> | | |
| Term Loans | 32,842,850 | 21,374,650 |
| Hire Purchase Payables | 45,947,568 | 43,371,501 |
| <u>Current</u> | | |
| Term Loans | 2,206,899 | 5,201,055 |
| Hire Purchase Payables | 15,950,403 | 13,301,930 |
| Bankers' Acceptances | 12,047,000 | 4,036,000 |
| Invoice Financing | 16,156,348 | 4,017,330 |
| Revolving Credit | 3,000,000 | 14,000,000 |
| Bank Overdrafts | 4,455,541 | 2,901,355 |
| Bills Discounting | 1,815,805 | - |
| | 134,422,414 | 108,203,821 |

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

B9. Material Litigation

There is no pending material litigation involving the Group pending as at the date of this report, except for the following.

ADVANCECON HOLDINGS BERHAD ("ADVANCECON" OR "THE COMPANY") In the High Court of Malaya ("the Court") at Shah Alam Civil Suit No. BA-22C-50-11/2018 Advancecon Infra Sdn Bhd ("Advancecon Infra" or "the Plaintiff") vs Infra Tech Projects Malaysia Sdn Bhd ("Infra Tech" or "the Defendant")

Advancecon Infra, a wholly-owned subsidiary of ADVANCECON through its solicitors, Messrs Arthur Wang, Lian & Associates had on 9 November 2018 filed and served a sealed copy of the Writ of Summons together with the Statement of Claim, both dated 2 November 2018 against Infra Tech Projects Malaysia Sdn Bhd (Company No. 654784-A)("Infra Tech" or "the Defendant").

The filing of the Writ of Summons together with the Statement of Claim arises from Advancecon Infra's claim for damage and losses suffered due to Infra Tech's engagement as a sub-contractor by the Plaintiff under 3 Letters of Award dated 20 January 2017 and 7 February 2017 ("Letters of Award") respectively for the Project known as "Phase 1 Earthwork for Cadangan Serah Balik and Bermilik Semula Dibawah Sekysen 204D Kanun Tanah Negara Untuk Pembangunan Bercampur Perumahan Dan Perniagaan, Di Atas PT8 (H.S.(D) 22218), PT 9 (H.S.(D) 22219) Dan PT20090 (H.S.(D) 244038), Mukim Bukit Raja, Daerah Petaling, Seksyen U12, Shah Alam, Selangor Darul Ehsan ("BS49 Project") which was awarded to Infra Tech.

Due to the alleged breach of the Letters of Award by the Defendant, the Plaintiff is claiming for the following:

- i. A declaration that the Defendant has breached the terms and conditions of all the 3 Letters of Award under the BS49 Project; Award under the BS49 Project;
- ii. A declaration that the Plaintiff was allowed to make deductions and set off from payments to the Defendant under all the 3 Letters of Award under the BS49 Project;
- iii. A declaration that the Plaintiff has the right to deduct/set off the total sum amounting to RM1,417,174.75 for the 3 Payment Certificates No. 5, 6 and 7 that are payable to the Defendant by the Plaintiff;
- iv. The sum of RM1,052,157.69 being the total outstanding balance remedial costs incurred due to the slope failures at HIEDYC and PVD Group Improvement at Show Village Area ("KTA2 Area") and CDYC, PVD and Geogrid Ground Improvement at Phase 1&2 Slope Area ("KTA1 Area");
- v. Interests on the sum of RM1,052,157.69 at the rate of 5% per annum from the date of this judgment until the date of full and final settlement;
- vi. Costs on a solicitor and client basis; and
- vii. Such further or other relief as deemed fit by the Court.

The first case management was fixed on 12 December 2018 at 9.00 a.m.

Advancecon Infra had received the Defence and Counterclaim from the Defendant dated 11 December 2018 and had filed and serve the Reply to Defence and Defence to Counterclaim dated 11 January 2019.

Advancecon Infra had received the sealed Amended Defence and Counterclaim dated 4 February 2019 from the Defendant on 13 February 2019.

B10. Dividends Declared

There was no dividend declared for the current financial period under review.

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

B11. Earnings Per Share

| | Unaudited 12 Months Ended 31.12.2018 | Audited 12 Months Ended 31.12.2017 |
|-----------------------------------------------------------------|--------------------------------------------|------------------------------------------|
| Profit after tax attributable to the owners of the Company (RM) | | |
| Basic earnings per share | | |
| Weighted average number of ordinary shares | 401,923,417 | 356,215,986 |
| Basic earnings per share (sen) ⁽¹⁾ | 2.64 | 5.18 |
| Diluted earnings per share | | |
| Weighted average number of ordinary shares | 401,923,417 | 356,215,986 |
| Diluted earnings per share (sen) ⁽²⁾ | 2.64 | 5.18 |

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 31.12.2018 | Cumulative Quarter 31.12.2018 |
| | RM | RM |
| Auditors' remuneration | 82,750 | 172,000 |
| Allowance for impairment losses on trade receivables | 443,050 | 443,050 |
| Depreciation: | | |
| - property, plant and equipment | 6,265,045 | 25,042,508 |
| - investment properties | 222,856 | 527,363 |
| Directors' remuneration | 1,337,596 | 3,831,831 |
| Interest expenses | 1,995,193 | 7,685,177 |
| Staff costs | 10,535,680 | 44,073,820 |
| Gain on disposal of property, plant and equipment | (3,539,339) | (5,337,636) |
| Interest income | (368,287) | (1,179,903) |
| Dividend income from short-term investments | (37,452) | (82,601) |

BY ORDER OF THE BOARD
27 FEBRUARY 2019