



ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

<u>Table of Contents</u>	<u>Page</u>
Consolidated Statement Of Profit Or Loss And Other Comprehensive Income	1
Consolidated Statement Of Financial Position	2-3
Consolidated Statement Of Changes In Equity	4
Consolidated Statement Of Cash Flows	5-7
Explanatory notes in compliance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting	8-11
Explanatory notes in compliance with Listing Requirements of the Bursa Malaysia	12-19

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THIRD QUARTER ENDED 30 SEPT 2019

(The figures have not been audited)

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30.9.2019 RM	Preceding Year Corresponding Quarter 30.9.2018 RM	Current Year Period 30.9.2019 RM	Preceding Year Corresponding Period 30.9.2018 RM
Revenue	A9	71,136,240	65,780,042	223,735,923	201,275,678
Cost of Sales		(59,729,220)	(57,653,930)	(190,781,887)	(168,816,108)
Gross Profit		11,407,020	8,126,112	32,954,036	32,459,570
Other Income		628,451	1,095,953	1,967,683	3,898,702
		12,035,471	9,222,065	34,921,719	36,358,272
Administrative Expenses		(5,957,349)	(4,985,115)	(16,014,202)	(17,789,903)
Other Expenses		(571,038)	(66,016)	(1,843,882)	(1,682,086)
Finance Costs		(1,729,616)	(1,946,284)	(5,302,285)	(5,689,984)
Share Of Result Of An Equity Accounted Associate		(2,534)	-	(24,727)	-
Profit Before Taxation	B12	3,774,934	2,224,650	11,736,623	11,196,299
Income Tax Expense	B5	(1,039,761)	(688,331)	(3,520,987)	(3,464,260)
Profit After Taxation/Total Comprehensive income for the Financial Period		2,735,173	1,536,319	8,215,636	7,732,039
Total Comprehensive Income attributable to:					
- Owners of the Company		2,735,173	1,536,319	8,215,636	7,732,039
Earnings per share (sen) attributable to owners of the parent:					
- Basic ⁽²⁾	B11	0.68	0.38	2.05	1.92
- Diluted ⁽²⁾	B11	0.68	0.36	2.04	1.83

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 2018 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)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at Current Quarter 30.9.2019 RM	(Audited) As at Financial Year Ended 31.12.2018 RM
ASSETS		
Non-current assets		
Investment in an associate	200,243	-
Property, plant and equipment	142,193,887	151,196,756
Right of use assets	205,886	-
Investment properties	38,804,627	39,222,108
Other investments	2,994	50,315
Deferred tax assets	160,149	160,149
Finance lease receivables	2,048,335	2,748,578
	183,616,121	193,377,906
Current assets		
Contract assets	106,707,626	79,097,980
Finance lease receivables	927,541	890,840
Trade receivables	45,985,974	66,928,323
Other receivables, deposits and prepayments	10,614,187	25,004,362
Amount owing by an associate company	427,116	5,288
Short-term investments	2,012,453	4,194,411
Current tax assets	4,466,706	1,509,428
Deposits with licensed banks	37,041,213	32,637,176
Cash and bank balances	6,533,822	7,708,889
	214,716,638	217,976,697
TOTAL ASSETS	398,332,759	411,354,603

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

	(Unaudited) As at Current Quarter 30.9.2019 RM	(Audited) As at Financial Year Ended 31.12.2018 RM
EQUITY AND LIABILITIES		
Equity		
Share capital	86,116,471	85,752,871
Treasury shares	(339,077)	(339,077)
Reserves	1,919,200	1,116,498
Retained profits	103,671,534	95,455,898
TOTAL EQUITY	191,368,128	181,986,190
Non-current liabilities		
Deferred tax liabilities	4,909,076	4,909,076
Long-term borrowings	65,343,847	78,790,418
Lease Liability	132,462	-
	70,385,385	83,699,494
Current liabilities		
Contract liabilities	17,657,412	20,679,138
Trade payables	44,623,989	49,147,250
Other payables and accruals	16,690,952	15,921,253
Amount owing to an associate company	39,011	-
Dividend payable	-	4,017,260
Current tax liabilities	1,752,535	272,022
Short-term borrowings	51,663,952	51,176,455
Bank overdrafts	4,083,871	4,455,541
Lease Liability	67,524	-
	136,579,246	145,668,919
TOTAL LIABILITIES	206,964,631	229,368,413
TOTAL EQUITY AND LIABILITIES	398,332,759	411,354,603
Net asset per share (RM)	0.47	0.45

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 2018 and the accompanying explanatory notes as attached to this interim financial statement.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THIRD QUARTER ENDED 30 SEPT 2019

	Share Capital	Treasury Shares	Non-Distributable Employee Share Option Reserve	Distributable Retained Profits	Total
	RM	RM	RM	RM	RM
The Group					
(Audited)					
Balance at 1.1.2018	85,752,871	-	-	88,855,019	174,607,890
Profit after taxation/Total comprehensive income for the financial year	-	-	-	10,618,139	10,618,139
Contribution by and distribution to owners of the company:					
- Purchase of treasury shares	-	(339,077)	-	-	(339,077)
- Recognition of share option expenses	-	-	1,116,498	-	1,116,498
- Dividend	-	-	-	(4,017,260)	(4,017,260)
Balance at 31.12.2018	85,752,871	(339,077)	1,116,498	95,455,898	181,986,190
(Unaudited)					
Balance at 1.1.2019	85,752,871	(339,077)	1,116,498	95,455,898	181,986,190
Profit after taxation/Total comprehensive income for the financial year	-	-	-	8,215,636	8,215,636
Contribution by and distribution to owners of the company:					
- Recognition of share option expenses	-	-	883,502	-	883,502
- Employees' share options exercised	363,600	-	(80,800)	-	282,800
Balance at 30.9.2019	86,116,471	(339,077)	1,919,200	103,671,534	191,368,128

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 2018 and the accompanying explanatory notes as attached to this interim financial statements.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2019

(The figures have not been audited)

	Cumulative Current Period Ended 30.9.2019 RM	Cumulative Comparative Period Ended 30.9.2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,736,623	11,196,299
Adjustments for:-		
Depreciation:		
- investment properties	19,086,108	304,507
- property, plant and equipment	428,980	18,777,463
- right of use assets	5,882	-
Fair value adjustments:		
-trade receivables	-	(63,242)
Interest expense	5,301,468	5,689,984
Finance cost-Lease Liability	817	-
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	146,544	-
Share of result of an equity accounted associate	24,727	-
Share option expenses	883,502	113,705
Property, plant and equipment written off	86,964	3,016
(Gain) on disposal of property, plant and equipment	(26,979)	(1,798,297)
Interest income	(1,132,501)	(856,765)
Operating profit before working capital changes	36,542,135	33,366,670
Increase in contract assets	(27,609,646)	(373,825)
(Decrease) / Increase in contract liabilities	(3,021,726)	17,766,344
Decrease / (Increase) in trade and other receivables	35,368,183	(16,036,734)
Decrease in trade and other payables	(4,709,303)	(1,423,921)
Increase in amount owing by associate company	(346,287)	-
Cash from operations	36,223,356	33,298,534
Interest paid	(5,301,468)	(5,689,984)
Tax refund	1,353,067	8,000
Tax paid	(6,388,078)	(6,049,457)
NET CASH FROM OPERATING ACTIVITIES	25,886,877	21,567,093

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

(The figures have not been audited)

	Cumulative Current Period Ended 30.9.2019 RM	Cumulative Comparative Period Ended 30.9.2018 RM
CASH FLOWS FOR INVESTING ACTIVITIES		
Net cash flow from deconsolidation of subsidiaries under Member's Voluntary Winding Up	(99,223)	-
Investment in an associate	(224,970)	-
Advances to an associated company	(75,541)	-
Interest received	1,014,460	811,616
Dividend income from short-term investments	118,041	45,149
Increase in deposits pledged with licensed bank	(4,404,037)	(12,896,447)
Withdrawal of deposits with tenure more than 3 months	-	4,600,000
Purchase of property, plant and equipment	(1,184,185)	(38,374,426)
Purchase of investment properties	(11,499)	(1,445,597)
Right of use assets	(211,768)	-
Proceeds from disposal of property, plant and equipment	423,702	4,138,746
Repayment from finance lease receivables	663,542	297,071
NET CASH FOR INVESTING ACTIVITIES	(3,991,478)	(42,823,888)
CASH FLOWS (FOR)/ FROM FINANCING ACTIVITIES		
Advances from associate company	39,011	-
Proceeds from exercise of employees' share options	282,800	-
Dividend paid	(4,017,260)	-
Drawdown of term loans	19,197	5,560,420
Repayment of term loans	(8,153,510)	(3,147,439)
Net (repayment) / drawdown of hire purchase obligations	(12,865,544)	8,496,648
Net drawdown of bankers' acceptances	111,470	6,745,413
Net (repayment) / drawdown of invoice financing	(8,619,662)	13,360,470
Net drawdown / (repayment) in revolving credit	3,000,000	(6,000,000)
Net repayment of bank factoring	5,123,575	-
Proceeds of lease liability	211,768	-
Repayment of lease liability	(12,599)	-
NET CASH (FOR) / FROM FINANCING ACTIVITIES	(24,880,754)	25,015,512
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT	(2,985,355)	3,758,717
Cash and cash equivalents at beginning of the financial year	7,447,759	23,973,585
CASH AND CASH EQUIVALENT AT END OF THE FINANCIAL YEAR	4,462,404	27,732,302

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

(The figures have not been audited)

	Cumulative Current Period Ended 30.9.2019 RM	Cumulative Comparative Period Ended 30.9.2018 RM
Cash and cash equivalent comprised of:		
Deposits with licensed banks	37,041,213	30,611,738
Short-term investments	2,012,453	2,938,718
Cash and bank balances	6,533,822	29,100,399
Bank overdrafts	<u>(4,083,871)</u>	<u>(4,306,815)</u>
	41,503,617	58,344,040
Less: Deposits pledged to licensed banks	<u>(37,041,213)</u>	<u>(30,611,738)</u>
	<u>4,462,404</u>	<u>27,732,302</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 2018 and the accompanying explanatory notes as attached to this interim financial statement.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019

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 2018, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS beginning 1 January 2019:

MFRS 16 Leases

IC Interpretation 23 Uncertainty Over Income Tax Treatments

Amendments to MFRS 9: Prepayment Features with Negative Compensation

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015 – 2017 Cycles

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group’s financial statements except as follows:-

MFRS 16: Leases

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. There is no material financial impact arises from the adoption of this standard.

A2. Changes In Accounting Policies

The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (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 period:-

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

A2. Changes In Accounting Policies (Cont'd)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• 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 References to the Conceptual Framework in MFRS Standards	1 January 2020

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2018.

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

Save for the issuance of 808,000 ordinary shares under Employees' Share Option Scheme ("ESOS"), there were no other issuance, repurchase and repayment of debts and equity securities by the Group and the Company during the six months ended 30 September 2019.

A8. Dividends Paid

During the 9 months ended 30 September 2019, 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 ended 31 December 2018 was paid on 3 January 2019.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

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	Property Investment	Consolidation Adjustment	Total
	RM	RM	RM	RM
Revenue				
External revenue	223,258,502	477,421	-	223,735,923
Inter-segment revenue	48,778,870	-	(48,778,870)	-
Consolidated revenue	<u>272,037,372</u>	<u>477,421</u>		<u>223,735,923</u>
Represented by:-				
<u>Revenue recognised at a point in time</u>				
Sale of goods	20,340,216	-	-	20,340,216
Hiring of machinery	47,830,501	-	(46,845,623)	984,878
Day work revenue	249,023	-	-	249,023
Rental income	-	477,421	-	477,421
Cabin living quarters rental	445	-		445
Management fee	1,933,247	-	(1,933,247)	-
<u>Revenue recognised over time</u>				
Contract revenue	201,683,940	-	-	201,683,940
	<u>272,037,372</u>	<u>477,421</u>		<u>223,735,923</u>
Results				
Segment results				15,931,134
Interest income				1,014,460
Dividend income from short – term investments				118,041
				<u>17,063,635</u>
Finance Cost				(5,302,285)
Share of result of an equity accounted associate				(24,727)
Consolidated profit before taxation				<u>11,736,623</u>
Income tax expense				(3,520,987)
Consolidated profit after taxation				<u>8,215,636</u>

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPT 2019 (CONT'D)

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

There were no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the financial period under review.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter and 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 30.9.2019
RM

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

14,390,000

A14. Contingent Liabilities

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

A15. Significant Related Party Transactions

Unaudited
9 Months Ended
30.9.2019
RM

Transaction with Director

Paid and payable:-

Rental of premise

51,100

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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

B1. Review of Group Performance

	3 Months Individual Period			9 Months Cumulative Period		
	30.9.2019 RM	30.9.2018 RM	Variance %	30.9.2019 RM	30.9.2018 RM	Variance %
Revenue	71,136,240	65,780,042	8.1%	223,735,923	201,275,678	11.2%
Profit Before Taxation	3,774,934	2,224,650	69.7%	11,736,623	11,196,299	4.8%
Profit After Taxation	2,735,173	1,536,319	78.0%	8,215,636	7,732,039	6.3%

For the current quarter under review, the Group recorded 8.1% increase in revenue as compared to preceding year corresponding quarter. The increase was mainly attributable to higher progress billings from its on-going construction projects 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 RM80.11 million and RMRM73.68 million respectively. The balance of revenue was derived from property investment.

Construction and Support Services

During the current quarter under review, the PBT and PBT margin achieved by this division was RM 4.10 million and 5.78% as compared to RM 2.90 million and 4.41% during the preceding year corresponding quarter.

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

1. Recognition of profit for a total of five (5) completed projects as compared to one (1) completed project during the preceding year corresponding quarter;
2. Reduced subcontractors' fee as a result of the said completed projects and the reduction in administrative expenses; and
3. Lower weighted average diesel cost per litre of RM 2.08 versus RM 2.32 during the preceding year corresponding period.

In terms of profit after taxation ("PAT") and PAT margin, the division achieved RM 3.06 million and 4.30% versus RM 2.21 million and 3.36% during the preceding year corresponding quarter. The improvement in PAT was in line with higher PBT stated above.

Property Investment

For the current quarter under review, this division recorded marginal improvement with a lower loss before taxation of RM 0.30 million as compared to RM 0.67 million in the preceding year corresponding quarter mainly due to higher rental income from its investment properties.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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		
	30.9.2019	30.6.2019	Variance
	RM	RM	%
Revenue	71,136,240	80,267,883	-11.4%
Profit Before Taxation	3,774,934	5,020,520	-24.8%
Profit After Taxation	2,735,173	3,455,896	-20.9%

During the current quarter under review, the decrease in the Group's revenue was mainly due to higher number of projects completed: four (4) during the current quarter versus one (1) in the immediate preceding quarter. The lower PBT and PAT was in line with the reduction in the Group's revenue as well as higher administrative expenses incurred during the current quarter as compared to the immediate preceding quarter.

B3. Prospects

The Group is optimistic of achieving positive financial results during the current financial year due to:

1. The Group's current outstanding order book of RM 790.9 million or 2.9 times of last year's audited revenue will provide earnings visibility for a minimum of 18 months;
2. The Group expects good progress of its 2 major contracts moving forward, namely West Coast Expressway ("WCE") Section 7A and WCE Section 1, because of sizable sites handover happened recently. As at the date of this report, for WCE Section 7A, out of 19.5 km of total length, 98.7% was handed over versus 23.9% as at end of 31 December 2018. Whereas for WCE Section 1, out of 11.3 km of total length, 73.8% was given as compared to 54.3% as at end of 31 December 2018;
3. In East Malaysia, Sarawak in particular, as recent as October 2019 the Group had secured a total of approximately RM 88 million worth of infrastructure projects from the State Government; and
4. Nonetheless, the Group remains cautious and will selectively bid for future projects as competition is increasingly intense.

B4. Profit Forecast

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

B5. Taxation

	Unaudited	
	30.9.2019	30.9.2018
	RM	RM
Income tax	4,097,922	2,383,306
Deferred tax	(576,935)	1,080,954
	<u>3,520,987</u>	<u>3,464,260</u>
Effective tax rate ⁽¹⁾	30%	31%

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

(Company No: 426965 - M)

(Incorporated in Malaysia)

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	27,050	(12,960)	14,090	Within 36 months
	(a) Purchase of new construction machinery and equipment	15,100	12,960	(12,960)	-	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	13,395	(13,395)	-	Within 24 months
iv.	Estimated listing expenses	3,800	3,800	(3,800)	-	Upon Listing
		<u>56,700</u>	<u>56,700</u>	<u>(42,610)</u>	<u>14,090</u>	

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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 30.9.2019	As at 31.12.2018
	RM	RM
<u>Non-current</u>		
Term Loans	25,807,388	32,842,850
Hire Purchase Payables	39,536,459	45,947,568
<u>Current</u>		
Term Loans	1,108,048	2,206,899
Hire Purchase Payables	17,921,368	15,950,403
Bankers' Acceptances	12,158,470	12,047,000
Invoice Financing	7,536,686	16,156,348
Revolving Credit	6,000,000	3,000,000
Bank Overdrafts	4,083,871	4,455,541
Bank factoring	6,939,380	1,815,805
	121,091,670	134,422,414

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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 Infra Sdn. Bhd. ("Advancecon Infra"), a wholly-owned subsidiary of Advancecon Holdings Berhad in the High Court of Malaya ("the Court") at Shah Alam Civil Suit No. BA-22C-50-11/2018 vs Infra Tech Projects Malaysia Sdn Bhd ("Infra Tech" or "the Defendant")

Advancecon Infra, 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 arose from Advancecon Infra claim for damage and losses suffered due to Infra Tech's engagement as a sub-contractor by Advancecon Infra 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, Advancecon Infra is claiming for the following:-

- (a) 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;
- (b) A declaration that Advancecon Infra was allowed to make deductions and set off from payments to the Defendant under all the 3 Letters of Award under the BS49 Project;
- (c) A declaration that Advancecon Infra 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 Advancecon Infra;
- (d) 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");
- (e) Interests on the sum of RM1,052,157.69 at the rate of 5% per annum from the date of this judgement until the date of full and final settlement;
- (f) Solicitors' cost; and
- (g) Such further or other relief as deemed fit by the Court.

The first case management was fixed on 12 December 2018.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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

B9. Material Litigation (Cont'd)

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.

Advancecon Infra had filed and served the unsealed Amended Defence and Counterclaim dated 27 February 2019 to the Defendant on 27 February 2019.

The Company announced that further to the case management held on 7 March 2019, the Court directed as follows:-

- (a) The Defendant to file and serve Reply to Amended Defence to Amended Counterclaim on 13 March 2019; and
- (b) Advancecon Infra and Defendant (collectively referred as “the Parties”) to file Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Issues to be Tried, Summary of Case and List of Witnesses before the next date, 29 April 2019.

The Court has fixed next case management on 29 April 2019.

Advancecon Infra had on 13 March 2019 received the Defendant’s Reply to Amended Defence to Counterclaim dated 13 March 2019.

Advancecon Infra had received the sealed Notice of Application by the Defendant for application to re-amend Amended Defence and Counterclaim dated 4 February 2019 filed on 10 April 2019. The next date for Case Management is on 29 April 2019.

The Company announced pursuant to the Case Management held on 29 April 2019, the Court has directed as follows:-

- (a) The Defendant to file and serve the Affidavit in Reply in respect of the Defendant’s Amendment Application (“Enclosure 20”) on or before 13 May 2019; and
- (b) The Advancecon Infra and Defendant to file and serve their respective submissions in respect of Enclosure 20 on or before 27 May 2019.

The next date for Case Management is on 28 May 2019.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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

B9. Material Litigation (Cont'd)

Advancecon Infra announced that on 27 May 2019, the Plaintiff has been served with a copy of the Corrective Affidavit affirmed on 27 May 2019 by the Defendant.

Pursuant to the Case Management held on 28 May 2019, the Court had directed the Plaintiff and the Defendant to file their written submissions in reply and to exchange and handover a copy to the Court at the next Case Management on 3 June 2019.

In addition, the Hearing of the Defendant's Re-amendment Application/Enclosure 20 has been fixed on 11 June 2019.

Advancecon Infra announced that during the case management held on 3 June 2019, the Plaintiff has filed the submission in reply, exchanged the same with the Defendant's solicitors, and handed a copy of the relevant cause papers to the Court.

The Hearing of the Defendant's Re-amendment Application/Enclosure 20 has been maintained on 11 June 2019.

Pursuant to the Hearing of the Defendant's Re-amendment Application under Enclosure 20 on 11 June 2019, the Company wishes to announce that the High Court allowed the Defendant's Re-amendment Application with costs of RM500.00 payable by the Defendant to the Plaintiff.

The High Court further directed as follows:-

- (a) The Defendant to file and serve the sealed amended defence and counterclaim on or before 25 June 2019;
- (b) The Plaintiff to file and serve the amended reply to amended defence and counterclaim on or before 9 July 2019;
- (c) Both the Plaintiff and the Defendant to file and comply with the pre-trial directions on or before the next Case Management fixed on 19 July 2019; and
- (d) The next Case Management fixed on 19 July 2019.

In compliance with the Judge's direction at the Case Management held on 11 June 2019, the Company wishes to announce that the Plaintiff had on 25 June 2019 received the following documents from the Defendant's solicitors:-

- (a) Sealed Defendant's Re-Amended Defence and Amended Counterclaim;
- (b) Report by Ir. Krishnan Raman, B. Tech, MS, ICE, PE, MASCE of R&A Geotechnics Sdn Bhd dated 24 May 2019; and
- (c) Report by W.L. Addington of TechSol Sdn Bhd dated 21 May 2018.

Pursuant to the Case Management held on 19 July 2019, the Court had directed both the Plaintiff and Defendant to file and comply with the pre-trial directions, i.e. the Bundle of Pleadings, Common Bundle of Documents, Agreed Facts, Agreed Issues and List of Witnesses on or before the next Case Management on 2 August 2019.

Pursuant to the Case Management held on 2 August 2019, Advancecon Infra and Infra Tech have reached an amicable settlement for the above matter. The Parties are to bear their respective costs.

B10 Dividends Declared

The Board of Directors has declared a first interim single tier dividend of RM 0.006 per ordinary share amounting to approximately RM 2.4 million in respect of financial year ending 31 December 2019, to be paid on 30 December 2019. The ex-date and entitlement date are 4 December 2019 and 6 December 2019 respectively.

ADVANCECON HOLDINGS BERHAD

(Company No: 426965 - M)

(Incorporated in Malaysia)

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

B11. Earnings Per Share

	Unaudited 9 Months Ended	
	30.9.2019	30.9.2018
Profit after tax attributable to the owners of the Company (RM)	8,215,636	7,732,039
Basic earnings per share		
Weighted average number of ordinary shares	401,487,868	402,079,000
Basic earnings per share (sen) ⁽¹⁾	2.05	1.92
Diluted earnings per share		
Weighted average number of ordinary shares	402,834,584	422,029,000
Diluted earnings per share (sen) ⁽²⁾	2.04	1.83

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.
- (2) The dilutive portion of the ordinary shares deemed issued pursuant to the ESOS are accounted for in the diluted earnings per share calculation. The ESOS will have a dilutive effect only when the average target price of ordinary shares of the Company during the period exceeds the exercise price of options granted.

B12. Notes to the Statement of Comprehensive Income

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

	Unaudited	
	Individual Quarter 30.9.2019	Cumulative Quarter 30.9.2019
	RM	RM
Auditors' remuneration	27,500	93,000
Depreciation:		
- property, plant and equipment	6,413,194	19,086,108
- investment properties	143,024	428,980
- right of use assets	5,882.00	5,882
Directors' remuneration	830,084	2,498,803
Interest expenses	1,728,799	5,301,468
Finance cost-Lease Liability	817	817
Property, plant and equipment written off	286	86,964
Share of result of an equity accounted associate	2,534	24,727
Staff costs	12,405,919	37,675,049
Loss on deemed disposal due to effects of deconsolidation of subsidiaries under Member's Voluntary Winding Up	146,544	146,544
Gain on disposal of property, plant and equipment	(93,506)	(26,979)
Interest income	(315,563)	(1,014,460)
Dividend income from short -term investments	(28,697)	(118,041)

BY ORDER OF THE BOARD
21 NOVEMBER 2019